BUILT FOR GROWTH

2010 ANNUAL REPORT

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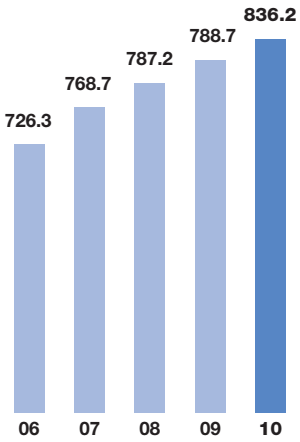
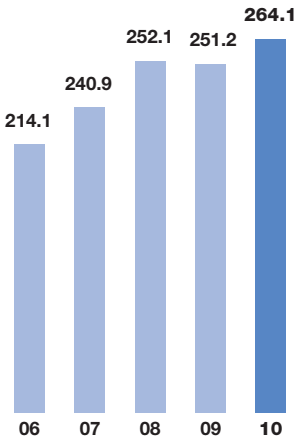
REVENUES

(in millions of Canadian dollars)



SEGMENT PROFIT[1]

(in millions of Canadian dollars)



FINANCIAL HIGHLIGHTS

(in millions of Canadian dollars except per share amounts)

	2010	2009	2008	2007	2006
Revenues	**836.2**	788.7	787.2	768.7	726.3
Segment profit [1]	**264.1**	251.2	252.1	240.9	214.1
Net income (loss)	**126.7**	(56.6)	129.8	107.0	35.5
Earnings (loss) per share					
Basic	**$1.57**	$(0.71)	$1.57	$1.27	$0.42
Diluted	**$1.56**	$(0.71)	$1.54	$1.23	$0.41
Total assets	**2,059.3**	1,874.7	2,033.7	1,937.0	1,842.2
Total long-term debt	**691.9**	651.8	692.8	610.7	596.4
Cash dividends declared per share					
Class A Voting	**$0.59502**	$0.59502	$0.570015	$0.501250	$0.22625
Class B Non-Voting	**$0.60000**	$0.60000	$0.574995	$0.506655	$0.23250

[1]As defined in "Key Performance Indicators – Segment profit and segment profit margin" in management's discussion and analysis.

HEATHER A. SHAW
Executive Chair

JOHN M. CASSADAY
President and Chief Executive Officer

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

We are delighted to report that fiscal 2010 was a pivotal year for Corus Entertainment. We began our second decade as a publicly traded company with a highly engaged and motivated workforce that seized every opportunity and delivered exceptional growth in a challenging economic environment. The year also marked a turning point for the Company as we opened the doors to our new, technically advanced Toronto waterfront facility, Corus Quay.

Corus Quay represents both an investment in our employees and our business. This state-of-the-art facility is designed as an open concept work environment which fosters collaboration and innovative solutions, and it has enabled us to rebuild our operations and technological processes from the ground up. The transition to Corus Quay allows us to deliver our content anywhere, and on any screen – an imperative in the emerging, multiplatform media delivery environment that we are competing in today.

We also established new work flows and processes and clarified our employees' key accountabilities to ensure that we are effectively aligned to be able to capitalize on growth opportunities. At Corus, we recognize that our employees are a vital contributor to our success. Our most recent employee survey revealed that employee engagement achieved new highs, despite the cost containment measures that were introduced in 2009. The survey also demonstrated that our values-driven culture is highly relevant to our employees and an important driver of our success. We are also very proud of the recognition we received in 2010 as an employer-of-choice in the industry. Corus was honoured as one of Canada's Best Diversity Employers and Canada's Top Employers for Young People.

In 2010, we created an organization that is built for growth, while delivering an excellent year from an earnings and total shareholder return perspective. The Canadian economy began to recover in the last six months of the fiscal year, contributing to a strong increase in revenues. Our improved top line performance combined with continued expense control resulted in a substantial 5% increase in segment profit – a great result in a tough economic environment. Importantly, we finished the year with a 30% increase in our share price.

Fiscal 2010 was a busy and productive year. Among the highlights:

- We acquired two new specialty services and successfully relaunched them as Sundance Channel and W Movies, adding these strong brands to our television portfolio. These new offerings contributed to our 10% growth in subscriber revenues for the year.
- We launched Nickelodeon (Canada) and positioned it as a complementary service to YTV. While YTV is programmed to appeal to families at certain times of the day, Nickelodeon is focused on the kids' audience 24/7.
- We introduced DUSK in September, replacing SCREAM, to capitalize on the growing interest in suspense and the paranormal, and expanded the programming scope of the service to appeal to a broader audience. Viewers loved the change, as did advertisers, resulting in double digit increases in revenues for the channel.
- We reintroduced Beyblade and Babar as key brands. The relaunch of Babar has been extremely well received globally, with broadcast sales in all of the major markets, including Disney in the U.S. – a huge accomplishment. *Beyblade: Metal Fusion* has also attracted significant interest, with broadcast distribution secured in the U.S. on Cartoon Network and on Nickelodeon in the U.K.

- Our Radio markets returned to growth this year in each of our regions, a very encouraging sign for sustained economic recovery. Radio Quebec saw a strong return to growth, improving profitability by $6 million. This significant turnaround had a favourable impact on the value of the operations, an important achievement given our decision to exit the Quebec radio market.
- We successfully refinanced the Company with a combination of high-yield debt and bank credit lines. The bond issue of $500 million was the largest non-investment grade high-yield transaction in Canadian history.

TOP LINE FISCAL 2010 RESULTS

Consolidated revenues for the year ended August 31, 2010 were $836 million, up 6% from $789 million last year. Consolidated segment profit was $264 million, up 5% from $251 million last year. Our share price, as at August 31, 2010, including the impact of dividends delivered a five-year compound annual growth rate of 6.3%, outperforming all of our peers.

We delivered segment profit within our guidance range of $255 million to $270 million, despite unanticipated CRTC Part II fees and additional copyright tariffs. We also achieved $63 million in adjusted free cash flow, which surpassed our estimates. During the year, we maintained a strong balance sheet, renewed our bank credit lines and maintained a firm commitment to delivering a solid dividend for our shareholders.

TELEVISION

Our Television division had an excellent year. Revenues were $575 million, up 9% from last year, and segment profit increased by 8%. Continuing a trend that we have seen for three successive quarters, our specialty ad revenues grew 9% compared to last year. The overall advertising recovery, strong ratings, the successful monetization of the co-view audience on our Kids portfolio, as well as broader distribution of our Women's services all contributed to the success of our specialty services. Our pay TV business, driven by the strength of the HBO Canada brand, ended the year with 963,000 subs, up 1% from last year.

RADIO

After the economic challenges of fiscal 2009, the Radio division saw a return to growth in fiscal 2010, with our stations exceeding the performance of the overall market in the key markets we compete in. A reduction in overhead and operational costs enabled us to improve our margins, which, along with strong ratings and a turnaround in the radio advertising market, contributed to the division's total revenues of $261 million, up 1% and segment profit, up 9% for the year.

CORPORATE

With the release of our fourth quarter 2010 results, we announced a 25% increase in our annual dividend, which will yield approximately 3.5% on our current share price. Our strong cash flow position will support this increased dividend and also provide Corus with the flexibility to invest and grow our business.

2011 OUTLOOK

On September 29, 2010, we provided our financial guidance for 2011. We targeted consolidated segment profit of between $285 million to $295 million and free cash flow in excess of $100 million.

For our Television division, we anticipate another strong year from our specialty services, with significant upside on advertising as the economy continues to recover.

We expect to see our subscriber base strengthen, building on the strong consumer appeal of our brands. On the Kids front, we will capitalize on the growth of our co-viewing audiences and the increase in share of kids tuning. Our Women's business is also expected to see gains from our expanding portfolio of brand offerings and from increased viewing, with the introduction of our "social viewing" strategy, which offers a broader range of couple-friendly programming options on these services.

Capitalizing on Corus Quay's technical capabilities, we also expect gains on the distribution front from the aggressive deployment of new digital offerings – including high-definition, video-on-demand and broadband-on-demand – for our pay TV and core specialty services.

Perhaps, most importantly, in early 2011 we will be adding the Oprah Winfrey Network (OWN) to our stable of specialty services. Corus negotiated a trademark and program licensing agreement that allows us to launch this premier offering in Canada. With over 1,200 hours of original and acquired programming, OWN is a great complement to our Women's services and represents a terrific opportunity to grow our Women's business. OWN will debut in 6.3 million households and, no doubt, will be the broadcast event of the year, if not the decade.

The reintroduction of our Babar and Beyblade brands, coupled with international distribution and integrated merchandising campaigns should result in the growth of our production, distribution and merchandising revenues.

With the turnaround in the economy, we anticipate continued growth for our Radio division. In Ontario, our Toronto stations are currently outperforming the market and we are forecasting continued growth in the West. Our online revenues are up significantly following the introduction of integrated campaigns in all of our major markets. Our Quebec stations continue to perform well. These stations will be transferred to Cogeco Inc., following receipt of all regulatory approval. Delivering top line growth, coupled with our focus on cost containment, should leverage improved earnings for the division.

In summary, 2010 was a landmark year that focused on building a strong foundation for future growth. For fiscal 2011, Corus will leverage the technical capabilities, scalability and cost efficiencies of Corus Quay to drive growth and position the Company for today's business and tomorrow's opportunities.

We would like to thank our Board of Directors for their continued support, guidance and wise counsel. As well, we'd like to thank our shareholders for their ongoing support and confidence in our Company.

John M. Cassaday
President and
Chief Executive Officer

Heather A. Shaw
Executive Chair

CORUS QUAY, Toronto

Photo: Richard Johnson

CORUS ENTERTAINMENT: BUILT FOR GROWTH

CORUS QUAY

2010 marked the opening of Corus Quay, the new Toronto headquarters for Corus Entertainment located on Toronto's waterfront. Corus Quay represents one of the most advanced facilities of its kind in North America.

Corus Quay consolidates the Company's Toronto-based operations from 11 distinct locations, including more than 20 television services, three Toronto radio stations and 1,100 employees into one building. Built to grow, the configuration of the operation allows for up to three times as many services to be delivered from the facility.

Corus Quay provided the Company with the opportunity to transform the operational and technological processes that underpin the business from the ground up. The state-of-the-art media production, broadcast and distribution facility features advanced technologies that set a new standard for broadcast and content operations throughout the world.

Corus Quay's highly integrated digital technologies and automated systems enable Corus to deliver a full range of content offerings to its distribution partners in any format, for any platform. For example, Corus can efficiently package and deliver content for multiple uses, including video-on-demand, broadband, tablets and smartphones. With this versatility, Corus can leverage future opportunities more effectively than ever before.

In addition to the building's enhanced technical capabilities, Corus Quay offers an open concept office space that creates a collaborative and innovative work environment, as well as an environmentally responsible facility that is on target for LEED® Gold Certification.

Designed by world renowned Diamond and Schmitt Architects and with interiors by the award-winning firm Quadrangle Architects Limited, Corus Quay features a significantly reduced power signature, a five-storey biowall for air filtration, a green roof and energy efficient lighting. Corus Quay is the anchor project in the revitalization of Toronto's eastern waterfront.

Corus Quay is built for growth. The new broadcast technologies, highly integrated infrastructure and the focus on content management are designed to position the Company as the premier partner to clients and customers – both here in Canada and around the world – ready for today's business and for tomorrow's opportunities.

92.5 JOE FM
80's, 90's ... Anything!
102.1 the edge
THE NEW 103 fresh fm
98.3 fm
SAGUENAY LAC ST-JEAN
SouvenirsGarantis.ca
Q107 Classic Rock
ROCK 101.9
CORNWALL'S ROCK STATION
Q107
Classic Rock
Classic ROCK 101
Variety 104.5
80s, 90s & TODAY
AM730
ALL TRAFFIC ALL THE TIME
AM980
NEWS TALK SPORTS
Greatest Hits
CKWS 104.3 fm
91.5 the Beat
HIT MUSIC RADIO
98,5 fm
LA PUISSANCE DES MOTS
AM 770
CHQR NEWS·TALK·SPORTS
POWER 97
Magic 106.1
106.9 fm
MAURICIE
SouvenirsGarantis.ca
The Wolf 101.9
Peterborough's Best Rock
107.7 fm
ESTRIE
SouvenirsGarantis.ca
KINGSTON'S FM96
CLASSIC ROCK
CKNW
NEWS TALK SPORTS
AM980
Peterborough's Greatest Hits 100.5 fm Kruz
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Greatest Hits 103.9 fm
1460 CJOY
Greatest Hits
Country 105
CKRY FM
MANITOBA'S INFORMATION
CJOB 68
SUPERSTATION
104.7 fm
OUTAOUAIS
SouvenirsGarantis.ca
The Peak
95.1 FM

Y108 Rocks 107.9FM
AM900 HAMILTON'S NEWS TALK LEADER CHML
AM 630 NEWS · TALK · SPORTS CHED
B101
FM93
107.5 DAVE FM TRI-CITIES BEST ROCK
CKOI.com 102,1 FM
CKOI.com 96,9 FM
iNews 880AM ON RADIO.ON LINE.ON DEMAND.
the 99.3 FOX
London's Best Rock FM96
Talk Radio AM640 Home of the Leafs
95.3 VINYL
Les Laurentides à coeur CIME 103,9 FM 101,3 FM Tremblant WWW.CIME.FM
102.9 fm QUEBEC SouvenirsGarantis.ca
CKAC SPORTS 730AM
CISN COUNTRY 103.9FM
the Q 92.5

VISION AND VALUES

At Corus, our vision is to be globally recognized as Canada's most influential entertainment company. We're achieving that vision with the hard work and commitment of our talented employees, many of whom are award winners in their fields. We also have a strong set of corporate values and we believe that honouring them drives our success. These values help provide clarity and focus – we are proud to live them each day.

ACCOUNTABILITY

We do what we say we'll do – no excuses.

INITIATIVE

We empower employees to make great things happen.

INNOVATION

We are committed to creative thinking that leads to breakthrough ideas and superior results.

KNOWLEDGE

We believe in continuous learning and the sharing of our insights and ideas.

TEAMWORK

We believe that the greatest value is realized when we work together.

NELVANA
A Corus® Entertainment Inc. Company
VIVA
YTV
BIG FUN WEEKNIGHTS
nick
TELETOON RETRO
movies
CHEX
TELEVISION
KIDS CAN PRESS

2011 STRATEGIC INITIATIVES

1. TRANSITION OUR KEY TELEVISION BRANDS TO HIGH DEFINITION
2. STRENGTHEN OUR WOMEN'S SERVICES WITH AN IMPACTFUL LAUNCH OF THE OPRAH WINFREY NETWORK (OWN)
3. SUPPORT OUR DISTRIBUTION PARTNERS WITH A WIDE ARRAY OF DIGITAL CONTENT
4. GROW OUR AUDIENCES WITH GREAT PROGRAMMING AND EFFECTIVE MARKETING OF OUR CORE BRANDS
5. CONTROL COSTS AND IMPROVE MARGINS BY LEVERAGING OUR INVESTMENT IN TECHNOLOGY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of the financial position and results of operations for the fiscal year ended August 31, 2010, is prepared at October 31, 2010. This should be read in conjunction with the Company's August 31, 2010 Annual Report and audited consolidated financial statements and notes therein.

The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Refer to note 27 of the consolidated financial statements of the Company for a summary of differences between Canadian and United States ("U.S.") GAAP.

All dollar amounts are in Canadian dollars unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

To the extent any statements made in this report contain information that is not historical, these statements are forward-looking statements within the meaning of applicable securities laws. These forward-looking statements are related to, among other things, our objectives, goals, strategies, intentions, plans, estimates and outlook and can generally be identified by the use of words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although Corus believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Important factors that could cause actual results to differ materially from these expectations include, among other things, our ability to attract and retain advertising revenues; audience acceptance of our television programs and cable networks; our ability to recoup production costs; the availability of tax credits and the existence of co-production treaties; our ability to compete in any of the industries in which we do business; the opportunities (or lack thereof) that may be presented to and pursued by us; conditions in the entertainment, information and communications industries and technological developments therein; changes in laws or regulations or the interpretation or application of those laws and regulations; our ability to integrate and realize anticipated benefits from our acquisitions and to effectively manage our growth; our ability to successfully defend ourselves against litigation matters arising out of the ordinary course of business; and changes in accounting standards. Additional information about these factors and about the material assumptions underlying such forward-looking statements may be found in our Annual Information Form. Corus cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Corus, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, events or circumstances that arise after the date thereof or otherwise.

OVERVIEW

Corus Entertainment Inc. ("Corus" or the "Company") commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement, Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Corus operates through two lines of business: Radio and Television. The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the operating divisions. Generally, Corus' financial results depend on a number of factors, including

the strength of the Canadian national economy and the local economies of Corus' served markets, local and national market competition from other broadcasting stations and other advertising media, government regulation, market competition from other distributors of children's animated programming and Corus' ability to continue to provide popular programming.

(A) RADIO

The Radio division comprises 49 radio stations situated primarily in nine of the ten largest Canadian markets by population and in the densely populated area of Southern Ontario. Revenues are derived from advertising aired over these stations. Corus is one of Canada's leading radio operators in terms of audience reach and tune-in. Results for the Radio business are presented on a geographic basis for Radio West, Radio Ontario and Radio Quebec and other.

(B) TELEVISION

The Television division comprises several analog and digital specialty channels, conventional channels and premium pay television services, as well other businesses related to television. The Kids segment comprises: YTV; Treehouse TV; Nickelodeon (Canada); a 50% interest in TELETOON and TELETOON Retro, and the Nelvana content business. The Specialty and Pay segment comprises: W Network; VIVA; W Movies; Sundance Channel (Canada); Corus' western Canadian pay television services Movie Central (including HBO Canada) and Encore Avenue; three local television stations, and the Company's interests in CMT Canada, Telelatino, DUSK and Cosmopolitan TV. Revenues for analog and digital specialty television networks are generated from affiliate subscriber fees and advertising. Revenues for pay television are generated from affiliate subscriber fees. Revenues for the conventional television stations are derived from advertising. Revenues for the distribution and licensing business are generated from licensing of television programs, merchandise licensing and publishing.

ANNUAL SELECTED FINANCIAL INFORMATION

The following table presents summary financial information for Corus for each of the listed years ended August 31:

(in millions of Canadian dollars, except percentages and per share amounts)				% Increase	
	2010	2009	2008	2010 over 2009	2009 over 2008
Revenues	**836.2**	788.7	787.2	6.0	0.2
Segment profit [1]	**264.1**	251.2	252.1	5.1	(0.4)
Net income	**126.7**	(56.6)	129.8		
Earning share					
Basic	**$1.57**	$(0.71)	$1.57		
Diluted	**$1.56**	$(0.71)	$1.54		
Total assets	**2,059.3**	1,874.7	2,033.7		
Long term debt	**691.9**	651.8	692.8		
Cash dividends declared per share					
Class A Voting	**$0.59502**	$0.59502	$0.570015		
Class B Non-Voting	**$0.60000**	$0.60000	$0.574995		

Notes: [1] As defined in "Key Performance Indicators – Segment profit and segment profit margin".

RESULTS OF OPERATIONS

The following tables present summary financial information for Corus' lines of business and a reconciliation of net income to segment profit for each of the listed years ended August 31:

(in thousands of Canadian dollars, except percentages)				% Increase (Decrease)	
	2010	2009	2008	2010 over 2009	2009 over 2008
Revenues					
Radio	**261,124**	258,912	286,449	0.9	(9.6)
Television	**575,097**	530,014	500,966	8.5	5.8
Eliminations	**–**	(208)	(259)		
	836,221	788,718	787,156	6.0	0.2
Direct cost of sales, general and administrative expenses					
Radio	**195,593**	198,574	210,945	(1.5)	(5.9)
Television	**348,418**	320,869	301,361	8.6	6.5
Corporate	**28,141**	18,293	22,979	53.8	(20.4)
Eliminations	**–**	(208)	(259)		
	572,152	537,528	535,026	6.4	0.5
Segment profit[1]					
Radio	**65,531**	60,338	75,504	8.6	(20.1)
Television	**226,679**	209,145	199,605	8.4	4.8
Corporate	**(28,141)**	(18,293)	(22,979)	53.8	(20.4)
Eliminations	**–**	–	–		
	264,069	251,190	252,130	5.1	(0.4)
Depreciation	**23,151**	20,704	22,054		
Interest expense	**47,223**	37,426	41,313		
Broadcast license and goodwill impairment	**–**	175,000	–		
Disputed regulatory fees	**(16,194)**	5,258	10,936		
Debt refinancing loss	**14,256**	–	–		
Restructuring charges	**12,924**	8,632	6,142		
Other expense (income), net	**14,972**	(204)	1,711		
Income before income taxes and non-controlling interest	**167,737**	4,374	169,974		
Income tax expense	**35,119**	56,350	35,519		
Non-controlling interest	**5,884**	4,659	4,620		
Net income (loss) for the year	**126,734**	(56,635)	129,835		

Notes: [1] As defined in "Key Performance Indicators – Segment profit and segment profit margin".

FISCAL 2010 COMPARED TO FISCAL 2009

REVENUES

Revenues for the fourth quarter were $202.8 million, an increase of 4% from $195.2 million last year. Subscriber revenues increased by 6% and advertising revenues increased by 10% in the quarter. Television revenues increased by 3% and Radio revenues increased by 5% in the quarter. For the twelve-month period, revenues of $836.2 million represented an increase of 6%. Subscriber revenues increased by 10% and advertising revenues increased by 4% in the full fiscal year. On a divisional basis, Television revenues increased by 9%, while Radio revenues increased by 1% in the full fiscal year. Refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Direct cost of sales, general and administrative expenses for the fourth quarter were $151.2 million, up 10% from $137.8 million in the prior year. This increase is attributed to higher general and administrative costs, particularly new tariffs in Radio and higher facilities costs and accruals for short-term incentive plans. For the twelve-month period, expenses of $572.2 million represented a 6% increase over the prior year as a result of higher program rights amortization in the Television division and higher Corporate costs. Refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense for fiscal 2010 was higher than in the prior year due to the commencement of depreciation on Corus Quay. Depreciation in the fourth quarter was marginally higher than the future run rate, due to accelerated depreciation on certain assets as the Company transitions out of its old broadcast facility.

INTEREST EXPENSE

Interest on long-term debt is up from the prior year due to the issuance of new debt in the second quarter of fiscal 2010. In February 2010, the Company issued $500.0 million in senior unsecured guaranteed notes due 2017 (the "Notes") that pay interest at 7.25%. The Company used these proceeds to pay down bank debt. The effective interest rate on bank loans and notes for fiscal 2010 was 5.5% compared to 4.2% on bank loans last year.

DISPUTED REGULATORY FEES

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement included waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued $16.2 million over that period, and reversed this accrual in the first quarter of fiscal 2010.

DEBT REFINANCING LOSS

In the second quarter of fiscal 2010, the Company issued $500.0 million in Notes. The proceeds of the Notes issue were used to pay down the existing $500.0 million term facility. Concurrently, the interest rate swap agreements that fixed the interest rate on $400.0 million of the bank debt were terminated, and the Company amended its credit facility with a syndicate of banks. These transactions resulted in the Company recording a pre-tax debt refinancing loss of $14.3 million. The components of this loss include mark-to-market payments on the termination of the interest rate swap agreements, and the non-cash write-off of deferred financing fees related to the previous credit facility.

RESTRUCTURING CHARGES

In the fourth quarter of fiscal 2010, the Company undertook a significant organizational restructuring to streamline operating processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12.9 million in the fourth quarter, of which $11.3 million relates to severance and employee-related expenses, and $1.6 million relates to other process-related expenses.

OTHER EXPENSE (INCOME), NET

Other expense in the fourth quarter of fiscal 2010 consists primarily of the retroactive portion of the new Radio tariffs introduced in July 2010, while the prior year's quarter consists of investment writedowns. For the full year, other expense in the current year consists primarily of rental expenses incurred on Corus Quay prior to the completion of the project, as well as the Radio tariff. The prior year includes a gain of $7.2 million related to the sale of a residential audio business and investment writedowns of $6.2 million.

INCOME TAXES

The effective tax rate for fiscal 2010 was 20.9%, compared to the Company's 31.7% statutory rate. The difference is due primarily to the impact of a change in the Ontario provincial long-term tax rate that became effective in the first quarter. This rate change resulted in the Company recording a non-cash recovery of $14.3 million through the income tax expense line.

NET INCOME AND EARNINGS PER SHARE

Net income for the fourth quarter was $6.8 million, as compared to net income of $18.7 million last year. Earnings per share for the fourth quarter were $0.08 basic and diluted, compared to $0.23 basic and diluted last year. Net income for the current year's quarter includes a Radio tariff accrual of $7.9 million ($0.06 per basic share) and restructuring charges of $12.9 million ($0.10 per basic share). With respect to the Radio tariff accrual in the quarter, the Company has included in segment profit the tariff of $2.8 million related to fiscal 2010 revenues, while the pre-fiscal 2010 tariff of $5.1 million has been recorded in other expenses.

Net income for fiscal 2010 was $126.7 million, as compared to a net loss of $56.6 million in the prior year. Earnings per share for fiscal 2010 was $1.57 basic and $1.56 diluted, compared with a loss per share of $0.71 basic and diluted last year. In addition to the items noted above, net income for the current fiscal year also includes a reversal of the disputed regulatory fee accrual, a reduction in the income tax rate and a debt refinancing loss. Net income for the prior year includes a $172.5 million ($2.15 per basic share) after-tax broadcast license and goodwill impairment charge.

The weighted average number of shares outstanding has increased in the current year due to the exercise of stock options and the issuance of shares from treasury under the dividend reinvestment plan.

OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX

The significant item in other comprehensive income was the change in the unrealized fair value of the Company's interest rate swap agreements prior to their termination in the second quarter of fiscal 2010, and the reversal of the cumulative unrealized change in the fair value of the agreements that were previously recorded in other comprehensive income in net income as a component of the debt refinancing loss.

Radio

	Three months ended **August 31**		Twelve months ended **August 31**	
(thousands of Canadian dollars)	**2010**	2009	**2010**	2009
Revenues				
West	**22,251**	2,1881	**93,470**	100,544
Ontario	**23,934**	22,364	**92,052**	85,185
Quebec and other	**16,749**	15,696	**75,602**	73,183
	62,934	59,941	**261,124**	258,912
Segment profit				
West	**6,333**	7,678	**30,295**	35,319
Ontario	**7,257**	8,219	**27,417**	23,681
Quebec and other	**(325)**	(752)	**7,819**	1,338
	13,265	15,145	**65,531**	60,338

Radio revenues for the fourth quarter increased by 5%, and revenues for the year increased by 1% compared to the prior year. Advertising revenues increased by 6% in the quarter. Revenues in the West grew for the second consecutive quarter after several quarters of decreases despite rate compression in Calgary and Edmonton as a result of the new licenses. Although the West remains down 7% for the full fiscal year, the total advertising spend in the Western markets is showing year-over-year growth. Revenues in the rest of Canada experienced high single-digit growth for the quarter, particularly in Ontario, resulting in strong growth on the year-to-date as well. The Company's results for the quarter and for the year-to-date exceed the performance of the overall market in Canada, in cities where we compete. In particular, the Company exceeded market growth in Toronto, Canada's largest market.

Direct cost of sales, general and administrative expenses for the fourth quarter increased by 11% compared to the prior year, and decreased by 2% for the full fiscal year. Variable expenses increased significantly in the quarter on new tariffs introduced in the quarter, higher CRTC Part II fees and sales commission earned on the higher revenues, although the Company continues to benefit from a transition to a lower average cost of sales structure on national sales. Fixed costs, which represent a much higher proportion of the cost structure, decreased by 5% for both the fourth quarter and full year from the prior year periods. The decrease was largely in employee–related costs, which results from initiatives taken by the Company recently to reduce the fixed cost base of the division.

In the first quarter of fiscal 2010, the Radio division reversed its August 31, 2009 disputed Part II regulatory fee accrual of $8.9 million. This is excluded from segment profit. In fiscal 2010, the Company began accruing for the estimated revised Part II fee, and the Radio division incurred a charge of $2.0 million for the full year. This amount is included in segment profit for fiscal 2010, with no comparable amount in segment profit for fiscal 2009.

In addition, in the fourth quarter of fiscal 2010, the Radio division recorded an accrual of $7.9 million related to new tariffs announced in July 2010, for which there is no comparative amount in fiscal 2009. The portion related to the current year's revenues is $2.8 million, and is included in segment profit in the fourth quarter. The portion related to prior years' revenues is $5.1 million, and is included in other expense in the fourth quarter.

Television

	Three months ended **August 31**		Twelve months ended **August 31**	
(thousands of Canadian dollars)	**2010**	2009	**2010**	2009
Revenues				
Kids	**58,497**	58,648	**240,568**	222,925
Specialty and Pay	**81,358**	76,840	**334,529**	307,089
	139,855	135,488	**575,097**	530,014
Segment profit				
Kids	**18,327**	21,709	**97,126**	89,745
Specialty and Pay	**28,628**	25,003	**129,553**	119,400
	46,955	46,712	**226,679**	209,145

Television revenues increased by 3% in the fourth quarter, reflecting an increase of 6% on subscriber revenues and continued strong growth in advertising revenues, with an increase of 15%. Total specialty advertising revenues were up 22%, while non-specialty advertising revenues were down 32%. Other revenues, primarily merchandising revenues, decreased 17% in the fourth quarter, but finished the fiscal year with 10% growth over the prior year. Subscriber revenue growth for the quarter reflects the addition of two new offerings in W Movies and Sundance Channel, and strong paid subscriber growth at CosmoTV. Advertising revenues grew 33% on our Kids segment, reflecting strengthening ratings and our success in monetizing our "co-view" audience. Specialty advertising revenues on our Specialty and Pay segment showed a strong increase of 15% in the quarter. Non-specialty advertising revenues declined due to challenges faced by our former cable advertising service. Full year subscriber revenues increased 10%, while a strong second half to the fiscal year resulted in advertising revenue growth of 6% over the prior year. Specialty advertising revenues grew by 9% in the fiscal year. Movie Central, including HBO Canada, finished the year with 963,000 subscribers, up 1% from the same period last year.

Direct cost of sales, general and administrative expenses increased by 5% in the fourth quarter and 9% for the full fiscal year. Direct cost of sales, which includes amortization of program rights and film investments, decreased by 1% for the quarter and increased by 9% for the full fiscal year. Amortization of program rights costs fluctuate with changes in subscriber levels, as a result of program supply agreements and Canadian content requirements based on the prior year's revenues, as a result of conditions of license. Amortization of film investments fluctuate in proportion to the volume of service work in the studio and content distribution revenues. Planned investment in programming for our Women's networks to drive growth also contributed to the increased costs for the full year. General and administrative expenses increased in the quarter and full fiscal year as a result of increases in CRTC Part II fees, trademark costs, expenses related to the launch of new services and higher facilities costs related to the fourth quarter move into Corus Quay. Television has contained employee–related cost growth to low single digits.

In the first quarter of fiscal 2010, the Television division reversed its August 31, 2009 disputed Part II regulatory fee accrual of $7.3 million. This is excluded from segment profit. In fiscal 2010, the Company began accruing for the revised fee, and the Television division incurred a charge of $1.9 million for the full fiscal year. This amount is included in segment profit for fiscal 2010 with no comparable amount in fiscal 2009.

On November 30, 2009, the Company completed the acquisition of Drive-In Classics and SexTV. These specialty services were rebranded Sundance Channel and W Movies, respectively, and their results are included in the Specialty and Pay segment commencing with the second quarter of fiscal 2010.

Corporate

	Three months ended **August 31**		Twelve months ended **August 31**	
(thousands of Canadian dollars)	**2010**	2009	**2010**	2009
Stock-based compensation	**1,944**	1,472	**7,770**	5,146
Other general and administrative costs	**6,695**	2,962	**20,371**	13,147
	8,639	4,434	**28,141**	18, 293

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is higher in the current year due to changes in the assumptions underlying the expense recognition of certain plans, primarily related to the Company's higher share price relative to the same period last year, as well as the granting of additional units under the long-term incentive plan in the current year.

Other general and administrative costs for the quarter and year are up from the prior year primarily as a result of accruals for short-term compensation plans and facilities costs related to Corus Quay.

FISCAL 2009 COMPARED TO FISCAL 2008

REVENUES

For fiscal 2009, revenues of $788.7 million represented a slight increase over $787.2 million in the prior year. Advertising revenues decreased by 9% from the prior year, while subscriber revenues increased by 14% over the prior year. Advertising revenues decreased as a result of the recent economic slowdown experienced across Canada, particularly in Alberta, British Columbia and Ontario. As our Radio business is more dependent on advertising revenues than is the Television business, the impact of these economic conditions was more significant in our Radio business. Refer to the discussion of segmented results for additional analysis of revenues.

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

For fiscal 2008, direct cost of sales, general and administrative expenses were $537.5 million, an increase of 1% over the prior year. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. General and administrative expenses decreased by 4% from the prior year. Refer to the discussion of segmented results for additional analysis of expenses.

DEPRECIATION

Depreciation expense for fiscal 2009 was $20.7 million, a decrease of $1.4 million from the prior year. This decrease reflects a reduction in capital expenditures in recent periods in anticipation of the move to the Toronto waterfront facility.

INTEREST EXPENSE

Interest expense for fiscal 2009 of $37.4 million represented a $3.9 million decrease from the prior year. Interest on long-term debt was down from the prior year despite the higher average debt balance in fiscal 2009, as interest rates were lower in the year. This is offset by the impact of the interest rate swap, since interest rate swap agreements fix the interest rate at 4.13% plus a margin on $400.0 million of the bank debt for the full term of the facility. The effective interest rate on bank loans for fiscal 2009 was 4.2%.

BROADCAST LICENSE AND GOODWILL IMPAIRMENT

Broadcast licenses and goodwill are tested for impairment annually as at August 31, or more frequently, if events or changes in circumstances indicate that they may be impaired. During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio reporting unit. This conclusion was based on an assessment of a number of factors, the most significant being the decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlight adverse market factors affecting radio industry trading multiples in general, and the Company's Radio reporting unit market value in particular. As a result, the Company recorded a broadcast license impairment charge of $11.5 million and a goodwill impairment charge of $163.5 million related to the Radio reporting unit.

DISPUTED REGULATORY FEES

The disputed regulatory fee accrual relates to the April 2008 decision of the Federal Court of Appeal to reverse the December 2006 Federal Court decision that ruled that Part II fees paid by broadcasters to the Canadian Radio-television and Telecommunications Commission were an unlawful tax. The broadcasting industry is pursuing avenues of appeal; however until such time as an appeal is heard, the regulation is in force. The accrual in fiscal 2008 includes a balance of $4.9 million related to fiscal 2007 and $6.0 million related to fiscal 2008. Subsequent to the end of the fiscal year, an agreement was reached in respect of these fees, which resulted in the Company reversing this accrual in fiscal 2010.

OTHER EXPENSE, NET

Other expense increased in fiscal 2009 as a result of further initiatives to reduce costs in the Radio division in general, and the Quebec region in particular. The Company incurred $8.6 million in fiscal 2009 in relation to these initiatives. The prior year includes restructuring charges of $6.1 million, incurred in the Television and Radio segments.

INCOME TAXES

The effective tax rate for fiscal 2009 was 1288.3%, compared to the Company's 33.0% statutory rate. This difference is due to the almost entirely non-deductible treatment of the broadcast license and goodwill impairment charge. Adjusting for the difference related to the broadcast license and goodwill impairment charge, the effective rate for fiscal 2009 was 32.8%.

NET INCOME AND EARNINGS PER SHARE

Net loss for fiscal 2009 was $56.6 million, as compared to net income of $129.8 million in the prior year. Loss per share for fiscal 2009 was $0.71, basic and diluted, compared with earnings per share of $1.57 basic and $1.54 diluted for fiscal 2008. Net loss for fiscal 2009 includes an after-tax broadcast license and goodwill impairment charge of $172.5 million, while the prior year benefited from $23.2 million in recoveries related to income tax changes. Removing the impact of these items would result in adjusted basic earnings per share of $1.45 in the current year and $1.29 in the prior year. The weighted average number of shares outstanding decreased in fiscal 2009 as a result of shares acquired and cancelled by Corus under its normal course issuer bid.

OTHER COMPREHENSIVE LOSS, NET OF TAX

The significant item in other comprehensive loss is the change in the unrealized fair value of the Company's interest rate swap. Interest rate declines, in both fiscal 2009 and 2008, resulted in an increase in the Company's derivative fair-value liability and a charge through

other comprehensive income. The charge is higher in fiscal 2008 as the interest rate decline was more significant in that year.

Radio

	Year ended **August 31**	
(thousands of Canadian dollars)	**2009**	2008
Revenues		
West	**100,544**	115,462
Ontario	**85,185**	94,465
Quebec and other	**73,183**	76,522
	258,912	286,449
Segment profit		
West	**35,319**	43,530
Ontario	**23,681**	29,449
Quebec and other	**1,338**	2,525
	60,338	75,504

Radio revenues in fiscal 2009 declined by 10% from the prior year, as the economic slowdown in Canada led to decreased advertising spending. Local airtime revenues decreased by 10% and national airtime revenues decreased by 17% compared to the prior year. The declines were experienced across Canada, but was particularly pronounced in the West, which declined by 13% after several years of significant growth. The declines in Quebec were less pronounced as that region had not experienced the same growth in recent years as Ontario and the West. While the advertising market as a whole declined in fiscal 2009, the Company's revenues were especially hard hit due to a sharp decline in the male demographic. While traditionally strong categories in spending show continued signs of weakness, Corus has focused on maintaining the integrity of its rates, and is poised to benefit from an end of the recession when it occurs.

Direct cost of sales, general and administrative expenses for fiscal 2009 decreased by 6% from the prior year. Variable expenses such as commissions decreased in proportion to the decrease in revenues. Fixed costs, which represent a much higher proportion of the cost structure, decreased by 4% from the prior year. The decrease was largely in employee-related costs and advertising and marketing. This is largely the result of initiatives taken by the Company recently to adjust to lower revenue levels and align the cost structure of this division with its strategic objectives.

Segment profit for fiscal 2009 decreased by 20% from the prior year. Radio is largely a fixed-cost business so the revenue declines resulted in a higher percentage segment profit decline, and a decrease in profit margin. The profit margin decrease was greater in Ontario than in the West because the Ontario operations consist of more small markets with less discretionary spending, and so was less able to adapt to lower revenues.

In the third quarter of fiscal 2009, the Company recorded $175.0 million in broadcast license and goodwill impairment charges related to the Radio division. These charges are excluded from segment profit.

Through fiscal 2009, the Company implemented several initiatives in its Radio operations, particularly related to its Quebec operations and its consolidated sales function. These initiatives resulted in restructuring expenses of approximately $8.6 million in fiscal 2009. These costs are excluded from segment profit. The Company continues to assess challenges presented by the Quebec market, and may undertake further initiatives to align the cost structure of this division with its strategic objectives.

Television

	Year ended **August 31**	
(thousands of Canadian dollars)	**2009**	2008
Revenues		
Kids	**222,925**	223,796
Specialty and Pay	**307,089**	277,170
	530,014	500,966
Segment profit		
Kids	**89,745**	86,640
Specialty and Pay	**119,400**	112,965
	209,145	199,605

Television revenues in fiscal 2009 increased by 6% over the prior year. Advertising revenues decreased by 6%, while subscriber revenues increased by 14%. Specialty advertising revenues declined by 5% in fiscal 2009. The advertising declines were experienced in the two main Kids brands: YTV and TELETOON. These declines came in two main advertising categories: Toys and Entertainment. Subscriber revenue growth was experienced across all Corus brands, but was primarily in the Adult specialty and pay brands. This is partly attributed to the successful launch of new brands such as VIVA, CosmoTV and HBO Canada. Movie Central (including HBO Canada) finished the year with 953,000 subscribers, up 7% from the prior year. Other revenues, including studio service work, distribution, merchandising and publishing revenues were up 13% in fiscal 2009, due largely to the success of international success of Bakugon in the Kids segment.

Direct cost of sales, general and administrative expenses increased by 6% in fiscal 2009. Direct cost of sales, consisting primarily of the amortization of program rights and film investments, increased by 8% over the prior year. These costs fluctuate in proportion to changes in subscriber levels; as a result of program supply agreements; as a result of Canadian content requirements based on the prior year's revenues; as a result of conditions of license; as well as with the volume of service work in the Studio. These increased costs were offset by effective cost containment across all categories of general and administrative expenses, which increased by 4% for the year. The increase is largely the result of costs related to the launch of new brands.

Segment profit in fiscal 2009 increased by 5% over the prior year. The Company maintained a stable segment profit margin in the Television business relative to the prior year, in both the Kids and the Specialty and Pay segments.

Corporate

	Year ended **August 31**	
(thousands of Canadian dollars)	**2009**	2008
Stock-based compensation	**5,146**	9,168
Other general and administrative costs	**13,147**	13,811
General and administrative expenses	**18,293**	22,979

General and administrative expenses decreased to $18.3 million in fiscal 2009 from $23.0 million in the prior year.

Stock-based compensation includes the expenses related to the Company's Performance Share Units ("PSUs"), stock options and other long-term incentive plans. The expense related to stock-based compensation is lower in the current year due to: changes in the assumptions underlying the expense recognition of certain plans; the Company's lower average share price in the current year; and fewer units outstanding in the current year.

Other general and administrative costs are down from the prior year, primarily as a result of lower costs related to short-term incentive-based compensation.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth certain unaudited data derived from the unaudited consolidated financial statements for each of the eight most recent quarters ended August 31, 2010. In Management's opinion, these unaudited consolidated financial statements have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this report.

(thousands of Canadian dollars, except per share amounts)	Revenues	Segment profit[1]	Net income (loss)	Earnings (loss) per share Basic	Diluted
2010					
4th quarter	**202,789**	**51,581**	**6,812**	**$0.08**	**$0.08**
3rd quarter	**218,439**	**73,818**	**31,411**	**0.39**	**0.39**
2nd quarter	**192,664**	**55,445**	**14,603**	**0.18**	**0.18**
1st quarter	**222,329**	**83,225**	**73,908**	**0.92**	**0.91**
2009					
4th quarter	195,221	57,423	18,733	$0.23	$0.23
3rd quarter	195,354	61,416	(145,030)	(1.81)	(1.81)
2nd quarter	181,358	51,009	29,029	0.36	0.36
1st quarter	216,785	81,342	40,633	0.51	0.50

Notes: [1]As defined in "Key Performance Indicators - Segment profit and segment profit margin".

SEASONAL FLUCTUATIONS

Corus' operating results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. Accordingly, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. In particular, the Company's broadcasting businesses are dependent on general advertising and retail cycles associated with consumer spending activity. Accordingly, operating results for the first quarter tend to be the strongest, reflecting pre-Christmas advertising activity, and for the second quarter they tend to be the weakest, consistent with lower consumer spending in winter months.

SIGNIFICANT ITEMS CAUSING VARIATIONS IN QUARTERLY RESULTS

- Net income in the fourth quarter of fiscal 2010 was negatively impacted by a charge of $12.9 million related to the Company's organizational restructuring to streamline operating processes in the new Corus Quay facilities.
- Net income in the fourth quarter of fiscal 2010 was negatively impacted by an accrual of $7.9 million related to the new Radio tariffs introduced in July 2010.
- Net income in the second quarter of fiscal 2010 was negatively impacted by $14.3 million in expenses related to the refinancing of the Company's debt.
- Net income in the first quarter of fiscal 2010 was positively impacted by $14.3 million in income tax rate changes and the reversal of a $16.2 million disputed regulatory fee accrual.

- Revenues in the third quarter of fiscal 2009 decreased from the previous year, as the Canadian economy had a negative impact on the advertising market. The impact was most pronounced in the Radio division.
- Net loss in the third quarter of fiscal 2009 includes broadcast license and goodwill impairment charges of $172.5 million, net of tax of $2.5 million, related to the Radio division.
- Net income in the second quarter of fiscal 2009 was positively impacted by a gain of $7.2 million related to the disposition of a residential audio service.

KEY PERFORMANCE INDICATORS

The Company measures the success of its strategies using a number of key performance indicators. These have been outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions. With the exception of revenues, direct cost of sales, general and administrative expenses and segment profit, the following key performance indicators are not measurements in accordance with Canadian or U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian or U.S. GAAP.

REVENUE

Revenue is a measurement defined by Canadian and U.S. GAAP. Revenue is the inflow of cash, receivables or other consideration arising from the sale of product and services and is net of items such as trade or volume discounts and certain excise and sales taxes. It is the base on which free cash flow, a key performance indicator defined below, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating the level of growth in a competitive marketplace.

The primary sources of revenues for the Company are outlined in the “Overview” section.

Corus is well diversified by revenue source with revenue streams for the year ended August 31, 2010, derived primarily from two areas: advertising (52%) and subscriber fees (34%) (2009 – 53% and 33%, respectively).

DIRECT COST OF SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated direct cost of sales, general and administrative expenses include amortization of program and film rights (costs of programming intended for broadcast, from which advertising and subscriber fee revenues are derived), amortization of film investments (costs associated with internally produced and acquired television and film programming, from which distribution and licensing revenues are derived), employee remuneration, regulatory license fees, cost of goods sold relating to publishing, marketing (research and advertising costs), selling, general administration and overhead costs. Approximately 31% and 35% of consolidated direct cost of sales, general and administrative expenses in fiscal 2010 (2009 – 31% and 33%, respectively) were composed of employee remuneration and amortization of programming and film costs, respectively.

SEGMENT PROFIT AND SEGMENT PROFIT MARGIN

Segment profit is calculated as revenues less direct cost of sales, general and administrative expenses as reported in the Company’s consolidated statements of income and retained earnings. Segment profit may be calculated and presented for an individual operating segment, a line of business, or for the consolidated Company. The Company believes this is an important measure as it allows the Company to evaluate the operating performance of its business segments and its ability to service and/or incur debt; therefore, it is calculated before (i) non-cash expenses

such as depreciation; (ii) interest expense; and (iii) items not indicative of the Company's core operating results, and not used in management's evaluation of the business segment's performance, such as: goodwill and broadcast license impairment; disputed regulatory fees; debt refinancing loss; restructuring charges and certain other income and expenses (***note 13*** to the consolidated financial statements). Segment profit is also one of the measures used by the investing community to value the Company and is included in ***note 15*** to the consolidated financial statements. Segment profit margin is calculated by dividing segment profit by revenues.

FREE CASH FLOW

Free cash flow is calculated as cash provided by operating activities less cash used in investing activities as reported in the consolidated statements of cash flows. Free cash flow measures the Company's ability to repay debt, finance the business and pay dividends.

(thousands of Canadian dollars)	**2010**	2009	2008
Cash provided by (used in):			
Operating activities	**144,066**	113,239	130,578
Investing activities	**(121,124)**	(19,864)	(101,520)
Free cash flow	**22,942**	93,375	29,058

NET DEBT

Net debt is calculated as long-term debt less cash and cash equivalents as reported in the consolidated balance sheets. Net debt is an important measure as it reflects the principal amount of debt owing by the Company as at a particular date.

(thousands of Canadian dollars)	**2010**	2009
Long-term debt	**691,891**	651,767
Cash and cash equivalents	**(7,969)**	(10,922)
Net debt	**683,922**	640,845

NET DEBT TO SEGMENT PROFIT

Net debt to segment profit is calculated as net debt divided by segment profit. It is one of the key metrics used by the investing community to measure the Company's ability to repay debt through ongoing operations.

(thousands of Canadian dollars except ratios)	**2010**	2009	2008
Net debt (numerator)	**683,922**	640,845	673,108
Segment profit (denominator)	**264,069**	251,190	252,130
Net debt to segment profit	**2.6**	2.6	2.7

RISKS AND UNCERTAINTIES

IMPACT OF REGULATION ON CORUS' RESULTS OF OPERATIONS

Corus' Radio and Television business activities are regulated by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the Broadcasting Act and, accordingly, Corus' results of operations may be adversely affected by changes in regulations, policies and decisions by the CRTC. The CRTC, among other things, issues licenses to operate radio and television stations and regulates the rates Corus may charge for its specialty television services

if such services are distributed as part of the basic service by a cable distributor. Corus' radio stations must also meet technical operating requirements under the Radiocommunications Act and regulations promulgated under the Broadcasting Act. Changes in the regulation of Corus' business activities, including decisions by the CRTC affecting Corus' operations (such as the granting or renewal of licenses, decisions as to the subscriber fees Corus may charge its customers, or the granting of additional distribution, broadcasting or programming licenses to competitors in Corus' markets) or changes in interpretations of existing regulations by courts or the CRTC could materially adversely affect Corus' business and results of operations.

In addition, in order to maintain eligibility under the Broadcasting Act and the Radiocommunications Act, there are limitations on the ownership by non-Canadians of Corus Class A Voting Shares. Under certain circumstances, Corus' Board of Directors may refuse to issue or register the transfer of Corus Class A Voting Shares to any person that is a non-Canadian or may sell the Corus Class A Voting Shares of a non-Canadian as if they were the owner of such Corus Class A Voting Shares.

Corus' radio, conventional television, specialty television and pay television undertakings rely upon licenses under the Copyright Act (Canada) in order to make use of the music component of the programming distributed by these undertakings. Under these licenses, Corus is required to pay royalties established by the Copyright Board pursuant to the requirements of the Copyright Act to collecting societies that represent the copyright owners in such music components. These royalties are paid by these undertakings on a monthly basis in the normal course of their business.

The levels of the royalties payable by Corus are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the Copyright Act to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in Corus' broadcasting undertakings being required to pay additional royalties for these licenses.

On July 10, 2010 the Copyright Board announced that it had certified new royalties to be collected by certain collectives in respect of commercial radio stations. The Company recorded an expense of approximately $7.9 million in the fourth quarter to reflect the impact of the new royalties. The Company estimates the future annual impact of these new royalties to be approximately $3.0 million. These increases relate primarily to certain newly certified tariffs that did not previously exist.

Corus licenses a significant portion of its programming to Canadian conventional television stations, specialty and pay television networks, which are required by the CRTC to devote a certain portion of their programming schedules to Canadian productions. In addition to these scheduling requirements, the CRTC generally requires Canadian specialty services to devote a certain amount of their revenues to certified Canadian programming. There can be no assurance that such policies will not be eliminated or scaled back, thereby reducing the advantages that they currently provide to Corus as a supplier of such programs. Also, there can be no assurance that Corus programming will continue to qualify as certified Canadian programming. If Corus' programming fails to so qualify, Canadian broadcasters would not be able to use the programs to meet their Canadian programming obligations and, as a result, license fees paid to Corus by Canadian broadcasters would not reflect the current premium paid for certified Canadian programs, and Corus would not qualify for certain Canadian tax credits and industry incentives. Canadian Heritage, the Canadian ministry that oversees the tax credits, has conducted a review of the definition of Canadian content as it applies to film and television production, but no formal changes to the definition have been announced.

COMPETITION

Corus encounters aggressive competition in all areas of its business. Corus' failure to compete in these areas could materially adversely affect Corus' results of operations.

The television production industry, specialty and pay television channel broadcasting and radio broadcasting have always involved a substantial degree of risk. There can be no assurance of the economic success of radio stations, television programs or specialty television channels because revenue derived depends on audience acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally, and other intangible factors, all of which could rapidly change and many of which are beyond Corus' control. The lack of audience acceptance for Corus' radio stations, television programs, specialty and pay television channels would have an adverse impact on Corus' businesses, results of operations, prospects and financial condition.

RADIO

The financial success of each of Corus' radio stations is dependent principally upon its share of the overall advertising revenue within its geographic market, its promotional and other expenses incurred to obtain the revenue and the economic strength of its geographic market. Corus' radio advertising revenues are, in turn, highly dependent upon audience share. Other stations may change programming formats to compete directly with Corus' stations for listeners and advertisers or launch aggressive promotional campaigns in support of already existing competitive formats. If a competitor, particularly one with substantial financial resources, were to attempt to compete in either of these fashions, ratings at Corus' affected stations could be negatively impacted, resulting in lower net revenues.

Radio broadcasting is also subject to competition from electronic and print media. Potential advertisers can substitute advertising through broadcast television, cable television systems (which can offer concurrent exposure on a number of cable networks to enlarge the potential audience), daily, weekly and free-distribution newspapers, other print media, direct mail and on-line computer services for radio advertising. Competing media commonly target the customers of their competitors, and advertisers regularly shift dollars from radio to these competing media and vice versa. Accordingly, there can be no assurance that any of Corus' radio stations will be able to maintain or increase their current audience share and advertising revenue share.

TELEVISION

The financial success of Corus' specialty television business depends on obtaining revenue from advertising as well as from subscription fees. Numerous broadcast and specialty television networks compete with Corus for advertising revenue, and a failure by Corus to obtain its necessary share of such revenue could materially adversely affect Corus' results of operations. Corus' services also compete with a number of foreign programming services which have been authorized for distribution in Canada by the CRTC. Moreover, increasingly Corus' specialty, pay and conventional television services are competing with alternative forms of entertainment that are not regulated by the CRTC such as the Internet and video and DVD rentals. In addition, competition among specialty television services in Canada is highly dependent upon the offering of prices, marketing and advertising support, and other incentives to cable operators and other distributors for carriage so as to favourably position and package the services to subscribers. As well, the CRTC has licensed a number of specialty services for digital distribution, which increases competition. Any failure by Corus to compete effectively in the area of specialty television services could materially adversely affect Corus' results of operations.

Corus' pay television services are exclusive providers of premium movies and series, and offer classic movies to western Canadian subscribers. These services compete with pay-per-view movie offerings as well as video-on-demand offerings.

The production and distribution of children's television, books and other media content is very competitive. There are numerous suppliers of media content, including vertically integrated major motion picture studios, television networks, independent television production companies and children's book publishers around the world. Many of these competitors are significantly larger than Corus and have substantially greater resources, including easier access to capital. Corus competes with other television and motion picture production companies for ideas and storylines created by third parties as well as for actors, directors and other personnel required for a production.

Further, vertical integration of the television broadcast industry and the creation and expansion of new networks, which create a substantial portion of their own programming, have decreased the number of available time slots for programs produced by third-party production companies. There can be no assurances that Corus will be able to compete successfully in the future or that Corus will continue to produce or acquire rights to additional successful programming or enter into agreements for the financing, production, distribution or licensing of programming on terms favourable to Corus. There continues to be intense competition for the most attractive time slots offered by those services. There can be no assurances that Corus will be able to increase or maintain penetration of broadcast schedules.

RISKS ASSOCIATED WITH PRODUCTION OF FILM AND TELEVISION PROGRAMS AND WEBSITES

Each production is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. The success of a program is also dependent on the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can rapidly change and many of which are beyond Corus' control.

Production of film and television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect Corus or its co-production partners and cause cost overruns and delay or hamper completion of a production.

Financial risks exist in productions relating to tax credits and co-production treaties. The aggregate amount of government tax credits a project may receive can constitute a material portion of a production budget and, typically, can be as much as 30% of total budgeted costs. There is no assurance that government tax credits and industry funding assistance programs will continue to be available at current levels or that Corus' production projects will continue to qualify for them. As well, the majority of Corus' productions are co-productions involving international treaties that allow Corus to access foreign financing and reduce production risk, as well as qualify for Canadian government tax credits. If an existing treaty between Canada and the government of one of the current co-production partners were to be abandoned, one or more co-productions currently underway may also need to be abandoned. Losing the ability to rely on co-productions would have a significant adverse effect on Corus' production capabilities and production financing.

Results of operations for the production and distribution business within the Kids business for any period are dependent on the number, timing and commercial success of television programs and feature films delivered or made available to various media, none of which can be predicted with certainty. Consequently, current revenue from production and distribution may fluctuate materially from period to period, and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

Library revenue from production and distribution can vary substantially from year to year, both by geographic territory and by year of production. The timing of the Company's ability to sell library product in certain territories will depend on the market outlook in the particular territory and the availability of product by territory, which depends on the extent and term of any prior sale in that territory.

The production of websites related to Corus' Television and Radio brands generates hundreds of pages of content each day. This content is in many forms including text, graphics, databases, photographs, audio files, radio files and interactive content such as online games and third party posts of content and links. Corus takes rigorous steps to ensure that procedures are in place to clear rights and to vet third party content. There remains a risk, however, that some potentially defamatory or infringing content can be posted on a Corus website. Corus carries insurance coverage against this risk, but there remains a limited risk of liability to third-party claims.

INTELLECTUAL PROPERTY RIGHTS

Corus' trademarks, copyrights and other proprietary rights are important to the Company's competitive position. In particular, the Content group must be able to protect its trademarks, copyrights and other proprietary rights in order to competitively produce, distribute and license its television programs and published materials and market its merchandise. Accordingly, Corus devotes the Company's resources to the establishment and protection of trademarks, copyrights and other proprietary rights on a worldwide basis. However, from time to time, various third parties contest or infringe upon the Company's intellectual property rights. The Company reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Company's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Company's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights.

Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Company's trademarks, copyrights and other proprietary rights, or that the Company will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

TECHNOLOGICAL DEVELOPMENTS

New or alternative media technologies and business models, such as digital radio services, satellite radio, direct-to-home satellite, wireless and wired cable television, Internet programming and video programming, mobile devices and online publications have recently begun to compete, or may in the future compete, for programming, audiences and advertising revenues. These technologies and business models may increase audience fragmentation, reduce the Company's ratings or have an adverse effect on advertising revenues from local and national audiences. These or other technologies and business models may have a material adverse effect on Corus' business, results of operations or financial condition.

INTEREST RATE AND FOREIGN EXCHANGE RISK

Corus has the following financial exposures to risk in its day-to-day operations:

INTEREST RATES

The Company utilizes long-term financing extensively in its capital structure, which includes banking facilities, as more fully described in ***note 9*** to the consolidated financial statements.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR.

The Company manages its exposure to floating interest rates through maintaining a balance of fixed rate and floating rate debt. As at August 31, 2010, 70% of the Company's consolidated long-term debt was fixed with respect to interest rates.

FOREIGN EXCHANGE

A portion of the Company's revenues and expenses is in currencies other than Canadian dollars and, therefore, is subject to fluctuations in exchange rates. Approximately 7% of Corus' total revenues were in foreign currencies, the majority of which was U.S. dollars.

The impact of foreign exchange gains and losses are described in ***note 21*** to the consolidated financial statements.

CONTINGENCIES

The Company and its subsidiaries are involved in litigation arising in the ordinary course and conduct of its business. The Company recognizes liabilities for contingencies when a loss is probable and capable of being estimated. As at August 31, 2010, there were no actions, suits or proceedings pending or against the Company or its subsidiaries which would, in management's estimation, likely be determined in such a manner as to have a material adverse effect on the business of the Company.

OUTLOOK

Corus' results for fiscal 2010 were within its stated guidance range for segment profit, and exceeded its stated guidance range for free cash flow. Segment profit for fiscal 2010 was negatively impacted by additional regulatory fees and tariffs. In the absence of these increases, the Company would have exceeded its stated guidance range.

At its annual Investor Day in September 2010, the Company updated investors on the Company's fiscal 2011 strategic priorities and provided near-term financial guidance for the 2011 fiscal year. In particular, the Company announced its fiscal 2011 guidance targets of consolidated segment profit of $285.0 million to $295.0 million, and free cash flow of $100.0 million or higher.

The free cash flow guidance for fiscal 2011 is significantly higher than the actual results for fiscal 2010, which reflects reduced capital expenditures related to Corus Quay.

To view the Investor Day presentation, please visit the Company's website at www.corusent.com.

FINANCIAL POSITION

Total assets at August 31, 2010 were $2.06 billion, compared to $1.87 billion at August 31, 2009. The following discussion describes the significant changes in the consolidated balance sheet since August 31, 2009.

Current assets increased by $41.7 million. Cash and cash equivalents decreased by $3.0 million. Refer to the discussion of cash flows in the next section. Accounts receivable increased by $28.4 million from year-end and $4.2 million from the previous quarter. The accounts receivable balance typically grows significantly in the first and third quarters and decreases in the second quarter as a result of the broadcast revenue cycle. The Company carefully monitors the aging of its accounts receivable. Income taxes recoverable decreased due to the timing of income tax installment payments.

Tax credits receivable increased as a result of accruals related to film production. Investments and other assets did not change significantly from the prior year. Capital assets increased by $85.1 million, as spending on Corus Quay ramped up significantly in the second half of the fiscal year. Broadcast licenses and goodwill balances increased as a result of the acquisition of two specialty television services in the first quarter. Program and film rights (current and non-current) increased by $9.6 million, as additions of acquired rights of $170.1 million were offset by amortization during the period. In particular, investments in programming were made relating to the launch of Nickelodeon (Canada), W Movies and the Sundance Channel in the first and second quarters. Film investments increased by $8.3 million, as net film spending of $66.9 million was offset by film amortization and accruals for tax credits. The Nelvana Studio has more episodes in production than at the same period last year.

Accounts payable and accrued liabilities increased by $32.4 million as a result of higher accruals for regulatory fees and tariffs, restructuring charges, short-term incentive accruals and the timing of general accounts payable.

Long-term debt increased by $40.1 million. The Company utilized its debt to finance the acquisition of two specialty television services in the first quarter. Other long-term liabilities increased by $18.1 million due to increased accruals for program rights, trademark intangibles and capital leases. In addition, units granted under the Company's long-term incentive plan were modified from equity-based to cash-based awards in the third quarter, and balances accrued were transferred from contributed surplus to other long-term liabilities. These increases were offset by the extinguishment of the liability associated with the Company's interest rate swap agreements. Net future tax liability (including current future tax asset) decreased by $9.0 million primarily due to a change in long-term Ontario provincial tax rates.

The exercise of employee stock options added $12.0 million to share capital and the issuance of shares from treasury under the Company's new dividend reinvestment plan added $3.7 million to share capital. Contributed surplus decreased by $5.5 million. Units that had vested under the Company's long-term incentive plan were paid in cash in the first quarter. The remaining outstanding units were confirmed to be cash-based awards in the third quarter, and the balances were transferred to other long-term liabilities.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Overall, the Company's cash and cash equivalents position decreased by $3.0 million in fiscal 2010, compared to a decrease of $8.7 million in the prior year. Free cash flow for fiscal 2010 was $22.9 million, compared to free cash flow of $93.4 million in the prior year. After adding back the impact of business combinations, adjusted free cash flow in fiscal 2010 is $62.9 million. This decrease in free cash flow reflects higher capital expenditures related to Corus Quay. Refer to the Key Performance Indicators for a reconciliation of free cash flow to consolidated statements of cash flows.

Cash provided by operating activities in fiscal 2010 was $144.1 million, compared to $113.2 million last year. This increase is related primarily to an increase of $12.9 million in segment profit, and significantly higher add-backs for amortization of program rights and film investments.

Cash used in investing activities in fiscal 2010 was $121.1 million, compared to cash used of $19.9 million last year. Capital expenditures are higher in the current year, as the Company incurred costs related to Corus Quay in fiscal 2010. Included in the current year is $77.4 million in Corporate capital expenditures related to Corus Quay. In addition, in the first quarter of fiscal 2010, the Company completed the acquisition of two specialty television services for cash of $40.0 million.

Cash used in financing activities in fiscal 2010 was $25.9 million, compared to cash used of $102.1 million in the prior year. In the current year, the Company issued $500.0 million in senior unsecured guaranteed notes, and used the proceeds to repay a portion of the bank debt balance. These transactions resulted in the payment of financing and swap termination fees.

LIQUIDITY

As at August 31, 2010, the Company has available $290.0 million under a revolving term credit facility that matures on February 10, 2014. Interest rates on the Company's facilities fluctuate with Canadian bankers' acceptances and LIBOR.

These borrowings combined with cash generated from operations have been the primary funding sources for operations over the last several years. The nature of the Company's business is such that significant expenditures are required to acquire program rights and to produce and acquire film assets for Television's broadcasting and distribution businesses. In addition, in fiscal 2010 the Company incurred significant capital expenditures related to the construction of Corus Quay. For the past three years, these expenditures have been financed from cash generated from operations. The Company continues to maintain a positive working capital position.

As at August 31, 2010, the Company had a cash and cash equivalents balance of $8.0 million and a positive working capital balance. Management believes that cash flow from operations and existing credit facilities will provide the Company with sufficient financial resources to fund its operations for the next 12 months.

In planning for fiscal 2010, the Company made one of its priorities to assess its overall long-term debt structure in order to improve its financial flexibility. The Company achieved this objective with the issuance of $500.0 million in senior unsecured guaranteed notes due 2017 paying interest at 7.25%.

NET DEBT TO SEGMENT PROFIT

As at August 31, 2010, net debt was $683.9 million, up from $640.8 million at August 31, 2009. Net debt to segment profit at August 31, 2010 was 2.6 times, unchanged from August 31, 2009. This ratio remains below management's stated long-term optimal range of 3.0 to 3.5 times.

OFF-BALANCE SHEET ARRANGEMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of loss is low.

The Company has used derivative financial instruments to manage risks from fluctuations in interest rates. These instruments include interest rate swap agreements. All such instruments are only used for risk management purposes. The net receipts or payments arising from financial instruments relating to the management of interest rate risks are recognized in interest expense over the term of the instrument. The carrying values of derivative financial instruments are adjusted to reflect their current market value.

During fiscal 2010, the Company terminated its interest rate swap agreements and as at August 31, 2010 has no outstanding derivative financial instruments.

CONTRACTUAL COMMITMENTS

Corus has the following contractual obligations:

(thousands of Canadian dollars)	Total	Less than one year	One to three years	Four to five years	After five years
Long-term debt	691,891	–	191,891	–	500,000
Interest on notes	233,832	36,250	72,500	72,500	52,582
Operating leases	428,922	24,145	46,790	46,413	311,574
Program rights purchase commitments	360,514	116,697	109,527	44,026	90,264
Capital leases	25,260	8,450	15,182	1,628	–
Other obligations	13,964	1,730	3,578	3,735	4,921

In addition to the financial liabilities in the table above, the Company will also pay interest on any bank debt outstanding in future periods. In fiscal 2010, the Company incurred interest on bank debt of $16.5 million (2009 – $29.4 million; 2008 – $33.0 million).

PENDING TRANSACTION

In April 2010, the Company entered into an agreement, conditional upon CRTC and Commissioner of Competition approval of the transaction in its current form, to sell certain Quebec radio stations for $80 million to Cogeco Inc. Should the regulatory approvals not be obtained, Cogeco may elect not to close the transaction.

TRANSACTIONS WITH RELATED PARTIES

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and have normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $124.9 million (2009 – $114.9 million), production and distribution revenue of $1.2 million (2009 – $0.5 million) and administrative and other fees of $5.4 million (2009 – $7.2 million) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4.6 million (2009 – $6.0 million) and administrative and other fees of $3.5 million (2009 – $2.8 million) to related parties. As at August 31, 2010, the Company had $29.5 million (2009 – $23.0 million) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Certain officers of the Company are currently indebted to the Company in connection with the purchase of Class B Non-Voting Shares and relocation housing loans. The loans granted by the Company do not bear interest. The aggregate amount of such indebtedness as of August 31, 2010 was $0.5 million.

OUTSTANDING SHARE DATA

As at October 31, 2010, 3,440,128 Class A Voting Shares and 77,780,932 Class B Non-Voting Shares were issued and outstanding. Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

IMPACT OF NEW ACCOUNTING POLICIES

GOODWILL AND INTANGIBLE ASSETS

Effective September 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450, "Research and Development Costs" was withdrawn from the CICA Handbook. Adopting this accounting change did not have a significant impact on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable, profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will be required to report using IFRS beginning September 1, 2011. The Company has implemented an IFRS project, and has committed adequate internal and external resources towards this project, including assembling a project team with a dedicated project team leader that includes senior levels of management. Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS project has been established.

Although the Company has completed preliminary assessments of accounting and reporting differences, impacts on systems and processes, it has not yet finalized these assessments. As the Company finalizes its determination of the significant impacts on its financial reporting, it intends to disclose such impacts in future Management's Discussion and Analysis.

In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of the adoption of IFRS at the changeover date. The International Accounting Standards Board ("IASB") will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all IFRS applicable at the conversion date are known.

The Company's adoption of IFRS will require the application of IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. Management is assessing the exemptions available under IFRS 1 and their impact on the Company's future financial position. On adoption of IFRS, the exemptions being considered by the Company that could result in material impacts are as follows:

Exemption	Application of exemption
Business combinations	The Company expects to elect not to restate any business combinations that occurred prior to September 1, 2010.
Cumulative translation differences	The Company expects to elect to reset cumulative translation differences for foreign operations to zero at September 1, 2010.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Set out below are the key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements. The list and comments should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight those areas management believes to be most significant. However, the IASB has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS, and their impact on the Company's consolidated financial statements. Consequently, management's analysis of changes and policy decisions have been made based on its expectations regarding the accounting standards that we anticipate will be effective at the time of transition. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. At this stage, management is not able to reliably quantify the impacts expected on the Company's consolidated financial statements for these differences. Refer to the section entitled "Cautionary Statement Regarding Forward-looking Statements".

Differences with respect to recognition, measurement, presentation and disclosure of financial information are expected to be in the following key accounting areas:

Key accounting area	Differences from Canadian GAAP, with potential impact for the Company
Presentation of Financial Statements (IAS 1)	Additional disclosures in the notes to financial statements.
Property, Plant and Equipment (IAS 16)	Componentization of significant real estate for separate amortization over a shorter, useful life. Remaining carrying value of underlying buildings subject to componentization amortized over a longer, useful life.
Impairment of Assets (IAS 36)	Grouping of assets in cash generating units (CGU's) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow method (DCF) in a single-step approach. Goodwill allocated to and tested in conjunction with its related CGU, or group of CGU's, that benefit from collective synergies. Under certain circumstances, previous impairment taken (other than goodwill) required to be reversed.
Interests in Joint Ventures (IAS 31)	Joint venture interests accounted for using the equity method.
Income Taxes (IAS 12)	Recognition and measurement criteria for deferred tax assets and liabilities may differ.
Intangible Assets (IAS 38)	Reinstatement of amortization of indefinite-lived intangibles
Business Combinations and Minority Interests (IFRS 3R)	Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of a contingent consideration classified as a liability recognized in earnings. Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interests presented as a separate component of shareholders' equity.

This is not an exhaustive list of all of the changes that could occur during the transition to IFRS. At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS in fiscal 2011.

The Company continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue to issue new accounting standards during the transition period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule.

OTHER

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations," Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-controlling Interests." These new standards will be effective for fiscal years beginning on or after January 1, 2011, but may be early adopted. The Company is currently evaluating the effects of adopting these changes.

CRITICAL ACCOUNTING ESTIMATES

The Company's significant accounting policies are described in ***note 2*** to the consolidated financial statements. The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates. The policies described below are considered to be critical accounting estimates, as they require significant estimation or judgment.

FILM INVESTMENTS

The individual-film-forecast-computation method is used to determine amortization. Under this method, capitalized costs for an individual film or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film or television program over a period not to exceed 10 years from the date of delivery. As a result, if revenue estimates change with respect to a film or television program, the Company may be required to write down all or a portion of the unamortized costs of such film or television program, therefore impacting direct cost of sales, general and administrative expenses, and profitability.

BROADCAST LICENSES AND GOODWILL

The cost of acquiring media broadcasting, production/distribution and publishing businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license. No assurance can be given that the Company will be able to renew its licenses or that substantial cost or material modification of the existing terms and conditions will not be incurred.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they are impaired. The Company has selected August 31 as the date it performs its annual impairment test. The fair value of the Company's intangible assets is exposed to future adverse changes if the Company experiences declines in operating results, significant negative industry or economic trends, or if future performance is below historical trends.

As a result of a number of factors, the Company recorded an impairment charge of $175.0 million related to these intangibles in fiscal 2009. No assurance can be given that the Company will not have to record further impairment charges in the future.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws, which are expected to be in effect when the differences are expected to reverse. Certain assumptions are required in order to determine the provision for income taxes, including filing positions on certain items and the realization of future tax assets.

The Company is audited regularly by federal and provincial authorities in the areas of income taxes and the remittance of sales taxes. These audits consider the timing and amount of deductions and compliance with federal and provincial laws. To the extent that the Company's filing positions are challenged, the Company's effective tax rate in a given financial statement period could be materially affected.

The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. No assurance can be given that future earnings will be sufficient to realize the future benefit.

CONTROLS AND PROCEDURES

As required by National Instrument 52-109 issued by the Ontario Securities Commission, Corus' Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in Corus' annual filings (as defined in National Instrument 52-109) with the provincial securities legislation.

As Corus is a foreign private issuer, as defined by the SEC, similar certifications by Corus' Chief Executive Officer and Chief Financial Officer are required by Section 302(a) of the Sarbanes-Oxley Act of 2002 related to information in Corus' annual report on Form 40-F.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures, and have designed such disclosure controls and procedures (or caused it to be designed under their supervision) to provide reasonable assurance that material information with respect to Corus, including its consolidated subsidiaries, is made known to them, and, that they have evaluated the effectiveness of Corus' disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by Corus in the reports that it files or submits to the provincial securities legislation is recorded, processed, summarized and reported within the time periods required. Corus has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business, and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 and in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended [the "Exchange Act"]), have concluded that, as at August 31, 2010, the Company's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused it to be designed under their supervision).

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at August 31, 2010, the Company has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, Corus' management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting, as at August 31, 2010, based on the framework set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of that date.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, an independent registered public accounting firm, who has audited and reported on the Company's consolidated financial statements for the year ended August 31, 2010, as included in this Annual Report, has also issued a report, under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States), on the operating effectiveness of internal control over financial reporting as at August 31, 2010.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during fiscal 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Annual Information Form, can be found on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc., and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include a reconciliation to U.S. generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in this Annual Report and has ensured that it is consistent with the consolidated financial statements.

Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. During the past year, management has maintained the operating effectiveness of internal control over external financial reporting. As at year end, we have determined that internal control over financial reporting is effective and Corus Entertainment Inc. has achieved compliance with the requirements set by the U.S. Securities and Exchange Commission ("SEC") under Section 404 of the U.S. Sarbanes-Oxley Act ("SOX"). In compliance with Section 302 of SOX, Corus Entertainment Inc.'s Chief Executive Officer and Chief Financial Officer provided to the SEC a certification related to Corus Entertainment Inc.'s annual disclosure document in the U.S. (Form 40-F). The same certification was provided to the Canadian Securities Administrators.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

The Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the Annual Report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), on behalf of the shareholders. Ernst & Young LLP has full and free access to the Committee.

John M. Cassaday
President and
Chief Executive Officer

Thomas C. Peddie FCA
Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the consolidated balance sheets of Corus Entertainment Inc. (the "Company") as at August 31, 2010 and 2009 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2010 in conformity with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of August 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 5, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
November 5, 2010

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER THE STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited Corus Entertainment Inc.'s (the "Company") internal control over financial reporting as of August 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Responsibility for Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Corus Entertainment Inc. maintained, in all material respects, effective internal control over financial reporting as of August 31, 2010, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as at August 31, 2010 and 2009, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2010 of Corus Entertainment Inc. and our report dated November 5, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Toronto, Canada
November 5, 2010

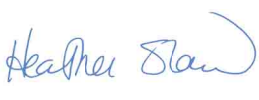
Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at August 31 (in thousands of Canadian dollars)	**2010**	2009
Assets *(note 9)*		
Current		
Cash and cash equivalents	**7,969**	10,922
Accounts receivable *(notes 3 and 25)*	**175,134**	146,784
Income taxes recoverable	**1,781**	7,267
Prepaid expenses and other	**18,008**	14,377
Program and film rights	**159,726**	146,195
Future tax asset *(note 14)*	**6,423**	1,788
Total current assets	**369,041**	327,333
Tax credits receivable	**39,597**	26,698
Investments and other assets *(note 4)*	**22,699**	23,693
Property, plant and equipment *(note 5)*	**161,585**	76,450
Program and film rights	**88,684**	92,579
Film investments *(note 6)*	**100,454**	92,180
Broadcast licenses *(note 7)*	**582,166**	561,741
Goodwill *(note 7)*	**695,029**	674,029
	2,059,255	1,874,703
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued liabilities *(note 8)*	**203,422**	171,055
Long-term debt *(note 9)*	**691,891**	651,767
Other long-term liabilities *(note 10)*	**91,423**	73,360
Future tax liability *(note 14)*	**98,516**	102,842
Total liabilities	**1,085,252**	999,024
Non-controlling interest	**18,055**	21,401
Shareholders' equity		
Share capital *(note 11)*	**856,655**	840,602
Contributed surplus	**11,780**	17,303
Retained earnings	**98,669**	20,380
Accumulated other comprehensive loss *(note 22)*	**(11,156)**	(24,007)
Total shareholders' equity	**955,948**	854,278
	2,059,255	1,874,703

Commitments, contingencies and guarantees *(note 9 and 24)*

See accompanying notes



On behalf of the Board: **John M. Cassaday** *Director* **Heather A. Shaw** *Director*

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended August 31 (in thousands of Canadian dollars, except per share amounts)	**2010**	2009	2008
Revenues *(notes 23 and 25)*	**836,221**	788,718	787,156
Direct cost of sales, general and administrative expenses *(notes 11, 21, 24 and 25)*	**572,152**	537,528	535,026
Depreciation	**23,151**	20,704	22,054
Interest expense *(notes 9 and 12)*	**47,223**	37,426	41,313
Broadcast license and goodwill impairment *(note 7)*	**–**	175,000	–
Disputed regulatory fees *(note 24)*	**(16,194)**	5,258	10,936
Debt refinancing loss *(note 9)*	**14,256**	–	–
Restructuring charges *(note 8)*	**12,924**	8,632	6,142
Other expense (income), net *(notes 13, 21 and 24)*	**14,972**	(204)	1,711
Income before income taxes and non-controlling interest	**167,737**	4,374	169,974
Income tax expense *(note 14)*	**35,119**	56,350	35,519
Non-controlling interest	**5,884**	4,659	4,620
Net income (loss) for the year	**126,734**	(56,635)	129,835
Earnings (loss) per share *(note 11)*			
Basic	**$1.57**	$(0.71)	$1.57
Diluted	**$1.56**	$(0.71)	$1.54
Net income (loss) for the year	**126,734**	(56,635)	129,835
Other comprehensive income (loss), net of tax			
Unrealized foreign currency translation adjustment	**(24)**	718	(23)
Unrealized change in fair value of available-for-sale investments	**200**	(253)	(1,114)
Recognition of change in fair value of available-for-sale assets in net income	**–**	1,692	–
Unrealized change in fair value of cash flow hedges, net of tax	**3,431**	(6,014)	(13,851)
Recognition of change in fair value of cash flow hedge in net income	**9,244**	–	–
	12,851	(3,857)	(14,988)
Comprehensive income (loss) for the year	**139,585**	(60,492)	114,847

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended August 31 (in thousands of Canadian dollars)	**2010**	2009	2008
Share capital			
Balance, beginning of year	**840,602**	848,257	882,244
Issuance of shares under stock option plan	**12,027**	597	12,338
Shares repurchased *(note 11)*	**—**	(8,450)	(46,555)
Issuance of shares under dividend reinvestment plan	**3,731**	—	—
Repayment of executive stock purchase loans	**295**	198	230
Balance, end of year	**856,655**	840,602	848,257
Contributed surplus			
Balance, beginning of year	**17,303**	17,304	10,250
Stock-based compensation	**907**	5,154	7,904
Settlement and modification of long-term incentive plan *(note 11)*	**(4,659)**	(5,138)	—
Exercise of stock options	**(1,771)**	(17)	(850)
Balance, end of year	**11,780**	17,303	17,304
Retained earnings			
Balance, beginning of year	**20,380**	131,594	95,568
Cumulative impact of accounting changes *(note 11)*	**—**	—	(1,594)
Adjusted opening balance	**20,380**	131,594	93,974
Net income (loss) for the year	**126,734**	(56,635)	129,835
Dividends declared *(note 11)*	**(48,445)**	(47,946)	(47,326)
Shares repurchased excess	**—**	(6,633)	(44,889)
Balance, end of year	**98,669**	20,380	131,594
Accumulated other comprehensive loss			
Balance, beginning of year	**(24,007)**	(20,150)	(12,169)
Cumulative impact of accounting changes *(note 2)*	**—**	—	7,007
Adjusted opening balance	**(24,007)**	(20,150)	(5,162)
Other comprehensive income (loss), net of tax	**12,851**	(3,857)	(14,988)
Balance, end of year	**(11,156)**	(24,007)	(20,150)

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31 (in thousands of Canadian dollars)	**2010**	2009	2008
Operating activities			
Net income (loss) for the year	**126,734**	(56,635)	129,835
Add (deduct) non-cash items:			
Depreciation	**23,151**	20,704	22,054
Broadcast license and goodwill impairment	**—**	175,000	—
Amortization of program rights	**166,150**	159,532	145,661
Amortization of film investments	**38,456**	25,545	28,393
Future income taxes	**(14,167)**	13,637	(7,321)
Non-controlling interest	**5,884**	4,659	4,620
Stock option expense	**907**	1,314	1,917
Imputed interest	**8,635**	7,054	6,390
Debt refinancing loss	**14,256**	—	—
Other	**1,945**	(432)	2,203
Net change in non-cash working capital balances related to operations *(note 20)*	**3,476**	(4,649)	(4,964)
Payment of program rights	**(167,310)**	(189,583)	(141,917)
Net additions to film investments	**(64,051)**	(42,907)	(56,293)
Cash provided by operating activities	**144,066**	113,239	130,578
Investing activities			
Additions to property, plant and equipment	**(83,049)**	(22,503)	(17,552)
Business combinations *(note 16)*	**(40,000)**	(76,533)	(774)
Cash held in escrow	**—**	74,950	(74,950)
Net cash flows for investments and other assets	**2,745**	6,966	(4,251)
Decrease in public benefits associated with acquisitions	**(820)**	(2,744)	(3,993)
Cash used in investing activities	**(121,124)**	(19,864)	(101,520)
Financing activities			
Increase (decrease) in bank loans	**(444,938)**	(40,219)	85,594
Issuance of notes	**500,000**	—	—
Financing and swap termination fees	**(30,997)**	—	—
Issuance of shares under stock option plan	**10,256**	580	11,488
Shares repurchased	**—**	(15,083)	(91,444)
Dividends paid	**(44,605)**	(48,021)	(46,284)
Dividend paid to non-controlling interest	**(10,220)**	(2,994)	(1,742)
Other	**(5,391)**	3,642	(375)
Cash used in financing activities	**(25,895)**	(102,095)	(42,763)
Net decrease in cash and cash equivalents during the year	**(2,953)**	(8,720)	(13,705)
Cash and cash equivalents, beginning of year	**10,922**	19,642	33,347
Cash and cash equivalents, end of year	**7,969**	10,922	19,642

Supplemental cash flow disclosures *(note 20)*

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2010, 2009 and 2008 (in thousands of Canadian dollars, except share information)

1. BASIS OF PRESENTATION

Corus Entertainment Inc. ("Corus" or the "Company") is a diversified Canadian communications and entertainment company. The Company is incorporated under the Canada Business Corporations Act and its Class B Non-Voting Shares are listed on the Toronto Stock Exchange (the "TSX").

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP").

CHANGES IN ACCOUNTING POLICIES

Effective September 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450, "Research and Development Costs", was withdrawn from the CICA Handbook. Adopting this accounting change did not have a significant impact on the Company's consolidated financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Corus and all of its subsidiaries, all of which are wholly owned except for Country Music Television Limited (80% interest), Telelatino Network Inc. (50.5% interest), DUSK (51% interest) and Cosmopolitan TV (54% interest), as well as its proportionate share of the accounts of its joint ventures. Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Intercompany transactions and balances have been eliminated on consolidation. The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant assumptions made by management in the preparation of the Company's consolidated financial statements include future revenue projections for investments in film and television programs; provisions for doubtful accounts to reflect credit exposures; valuation allowances and impairment assessments for various assets including investments in film and television programs; property, plant and equipment; long-term investments; current and future income taxes; broadcast licenses and goodwill. Actual results could differ from those estimates.

REVENUE RECOGNITION

Advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized monthly based on subscriber levels.

Product and distribution revenues from the distribution and licensing of film rights are recognized when all of the following conditions are met: (i) persuasive evidence of a sale or licensing arrangement with a customer exists; (ii) the film is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonably assured. Non-refundable recoupable minimum guarantees received under licensing arrangements for home videos where film titles are cross-collateralized are deferred and recognized as revenue over the license term when the underlying home videos are sold as reported by third parties.

Customer advances on contracts are recorded as unearned revenue until all of the foregoing revenue recognition conditions have been met.

Non-refundable advances that are not cross-collateralized and royalties from merchandise licensing, publishing and music contracts are recognized when the license period has commenced and collection is reasonably assured. Advances that are cross-collateralized are deferred and recognized as revenue over the license term when the underlying royalties are reported as earned by third parties.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months at the date of purchase. Cash that is held in escrow, or otherwise restricted from use, is excluded from current assets and is reported separately from cash and cash equivalents.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Land and assets not available for use	Not depreciated
Broadcasting equipment	10 years
Production equipment	5 years
Leasehold improvements	Lease term
Buildings	20–40 years
Computer equipment	3 years
Furniture and fixtures	7 years
Other	4–10 years

PROGRAM RIGHTS

Program rights represent contract rights acquired from third parties to broadcast television programs, feature films and radio programs. The assets and liabilities related to these rights are recorded when the license period has begun and all of the following conditions have been met: (i) the cost of the rights is known or reasonably determinable; (ii) the program material is accepted by the Company in accordance with the license agreement; and (iii) the material is available to the Company for airing. Long-term liabilities related to these rights are recorded at the net present values of future cash flows, using an appropriate discount rate. These costs are amortized over the contracted exhibition period as the programs or feature films are aired. Program and film

rights are carried at cost less accumulated amortization. If program rights, feature films or radio programs are not scheduled they are considered impaired and written-off.

Amortization of program rights is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

FILM INVESTMENTS

Film investments represent the costs of projects in development, projects in process, the unamortized costs of proprietary films and television programs that have been produced by the Company or for which the Company has acquired distribution rights, and investments in third-party-produced film projects. Such costs include development and production expenditures and attributed studio and other costs that are expected to benefit future periods.

The individual-film-forecast-computation method is used to determine amortization. The capitalized costs and the estimated total costs of participations and residuals, net of anticipated federal and provincial program contributions, production tax credits and co-producers' shares of production costs, are charged to amortization expense on a series or program basis in the same ratio that current period actual revenue (numerator) bears to estimated remaining unrecognized ultimate revenue as of the beginning of the current fiscal year (denominator). Ultimate revenue is projected for periods not exceeding 10 years from the date of delivery or acquisition. For episodic television series, ultimate revenue includes estimates of revenue over a period not to exceed 10 years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. Estimates of gross revenue can change significantly due to the level of market acceptance of film and television products. Accordingly, revenue estimates are reviewed periodically and amortization is adjusted. Such adjustments could have a material effect on the results of operations in future periods.

The Company reviews the status of projects in development quarterly. If, in the opinion of management, any such projects will not progress toward production, the accumulated costs are charged to direct cost of sales. Projects are written off at the earlier of: (i) the date determined not to be recoverable, or when projects under development are abandoned; and (ii) three years from the date of the initial investment.

Projects in process represent the accumulated costs of television series or feature films currently in production.

Completed project and distribution rights are stated at the lower of unamortized cost and recoverable amount as determined on a series or program basis. Revenue and cost forecasts for each production are evaluated quarterly in connection with a comprehensive review of the Company's film investments, on a title-by-title basis. When an event or change in circumstances indicates that the fair value of a film is less than its unamortized cost, the carrying value is compared to the future cash flows and if the carrying value is not recoverable, the carrying value is written down to fair value. Fair value of the film is determined using management's estimates of future revenues under a discounted cash flow approach. A writedown is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film.

Investments in third-party-produced film projects are carried at the lower of cost and fair value.

Amortization of film investments is included in direct cost of sales, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

BROADCAST LICENSES AND GOODWILL

The cost incurred in a business combination is allocated to the fair value of related identifiable tangible and intangible assets acquired. Historically, identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring these businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill.

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without substantial cost and without material modification of the existing terms and conditions of the license.

Broadcast licenses and goodwill are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired. The Company has selected August 31 as the date it performs its annual impairment test.

Goodwill impairment is determined using a two-step process. The first step of the process is to compare the fair value of a reporting unit with its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit by using various valuation techniques with the primary methods employed being a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates, relevant comparable company earnings multiples and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on the Company's budgets and business plans, and various growth rates have been assumed for years beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In assessing the reasonableness of its determined fair values, the Company evaluates its results against other value indicators such as comparable company public trading values, research analyst estimates and values observed in private market transactions. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is required to be performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

The impairment test for broadcast licenses consists of comparing the carrying amount of broadcast licenses to their fair values. If the carrying amount exceeds its fair value, an impairment charge is then recognized on the consolidated statements of income (loss). The Company uses a direct-method valuation approach known as the Greenfield income valuation method in determining fair value. Under this method, the Company projects the cash flows that would be generated by each of its units of accounting as if the unit of accounting were to commence operations in each of its markets at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the broadcast license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting was just beginning operations. Major assumptions involved in this analysis include revenue growth rates, profit margin, duration and profile of the start-up period, estimated start-up costs and losses

incurred during the build-up period, the risk-adjusted discount rate and terminal values. For its radio stations, the Company has determined the unit of accounting to be all of its stations in a local market. For its television operations, the Company has determined the unit of accounting to be each individual broadcast license.

GOVERNMENT FINANCING AND ASSISTANCE

The Company has access to several government programs that are designed to assist film and television production in Canada. Funding from certain programs provides a supplement to a series' Canadian license fee and is recorded as revenue when cash has been received. Government assistance with respect to federal and provincial production tax credits is recorded as a reduction of film investments when eligible expenditures are made and there is reasonable assurance of realization. Assistance in connection with equity investments is recorded as a reduction in film investments.

Government grants approved for specific publishing projects are recorded as revenue when the related expenses are incurred.

INCOME TAXES

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of the Company's self-sustaining operations having a functional currency that is not in Canadian dollars are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet dates, and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are recorded in other comprehensive income (loss) for the year.

For integrated foreign operations and domestic assets and liabilities denominated in foreign currencies, monetary items are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet dates, and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in net income (loss) for the year.

FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

The Company has classified its cash equivalents and derivative financial instruments that are not designated as hedges as held-for-trading. They are presented at their fair value and gains or losses arising on revaluation at the end of each year are included in net income (loss) for the year. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and certain components of other long-term liabilities are classified as other financial liabilities and are also measured at amortized cost. Investments in equity instruments are considered available-for-sale. Available-for-sale investments are carried at fair value on the consolidated balance sheets, with changes in fair value recorded in other comprehensive income (loss), until such time as the investments are disposed of or an other-than-temporary impairment has occurred, in which case the impairment is recorded in net income (loss) for the year. Long-term debt instruments have been classified as

other financial liabilities and are measured at amortized cost. Financial instruments measured at amortized cost use the effective interest rate method of amortization.

All derivatives, including embedded derivatives that must be separately accounted for, are measured at fair value, with changes in fair value recorded in net income (loss) for the year unless they are effective cash flow hedging instruments. Derivative financial instruments that are designated as cash flow hedges, such as interest rate swap agreements, are presented at their fair value, with gains or losses arising from the revaluation at the end of each year included in other comprehensive income (loss) to the extent of hedge effectiveness.

In adopting these recommendations, the Company made the following adjustments to the consolidated balance sheet as at September 1, 2007:

Debits (credits)	
Investments and other assets (a)	8,482
Program and film rights (b)	(4,946)
Deferred charges (c)	(4,100)
Long-term debt (c)	4,205
Other long-term liabilities (b)	2,332
Future tax liability	(560)
Retained earnings (b) (c)	1,594
Accumulated other comprehensive loss (a)	(7,007)

(a) An increase to investments of $8,768 was booked to record unrealized gains on derivative contracts, and a decrease of $286 was booked to record unrealized losses on available-for-sale investments. This resulted in a net-of-tax transition adjustment of $(7,007) to accumulated other comprehensive loss.

(b) Decreases to program and film rights and other long-term liabilities were booked to reflect the balances as if the effective interest rate method had always been used to record program and film rights assets and liabilities. This resulted in a net-of-tax transition adjustment of $1,699 to retained earnings.

(c) Decreases to deferred charges and long-term debt were booked to reflect the balances as if the effective interest rate method had always been used to record financing fees associated with long-term debt. This resulted in a transition adjustment of $(105) to retained earnings.

With the adoption of these standards, the consolidated financial statements now include consolidated statements of comprehensive income. The comparative consolidated financial statements were restated solely to include the translation adjustment of self-sustaining foreign operations as provided by transition guidance.

The adoption of these standards did not have a significant impact on net income for the year ended August 31, 2008.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes option pricing model and expensed over the option's vesting period. Compensation expense related to the Performance Share Units and long-term incentive plan is accrued over the term of the service period based on the expected total compensation to be paid out at the end of the restriction period. Cash-settled instruments such as the Performance Share Units and awards under the long-term incentive plan are classified as liabilities and measured at intrinsic value. Equity-settled instruments such as stock options are classified as equity and fair value is measured and fixed at the date of grant. Consideration paid by the Company under its Employee Share Purchase Plan is included in direct cost of sales, general and administrative expenses.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. The computation of diluted earnings (loss) per share assumes the basic weighted average number of common shares outstanding during the year is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The dilutive effect of stock options is determined using the treasury stock method.

IMPAIRMENT OF LONG-LIVED ASSETS

When events or circumstances indicate potential impairment, long-lived assets, other than broadcast licenses and goodwill, are written down to their fair value if the net carrying amount of the asset exceeds the net recoverable amount, calculated as the sum of undiscounted cash flows related to the asset.

FUTURE ACCOUNTING POLICY CHANGES

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". Section 1582 establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards will be effective for fiscal years beginning on or after January 1, 2011 but may be early adopted. The Company is currently evaluating the effects of adopting these changes.

3. ACCOUNTS RECEIVABLE

	2010	2009
Trade	**166,683**	136,311
Other	**11,535**	13,868
	178,218	150,179
Less allowance for doubtful accounts	**3,084**	3,395
	175,134	146,784

4. INVESTMENTS AND OTHER ASSETS

	2010	2009
Equity investments	**7,914**	10,229
Trademark intangible assets	**11,744**	8,349
Other *(note 25)*	**3,041**	5,115
	22,699	23,693

Trademark intangible assets as at August 31, 2010 are presented net of accumulated amortization of $2,777 (2009 – $843).

5. PROPERTY, PLANT AND EQUIPMENT

2010	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	**48,760**	**12,508**	**36,252**
Production equipment	**33,933**	**28,931**	**5,002**
Leasehold improvements	**77,497**	**7,653**	**69,844**
Buildings	**18,321**	**7,993**	**10,328**
Computer equipment	**52,411**	**35,826**	**16,585**
Furniture and fixtures	**18,284**	**5,893**	**12,391**
Assets under construction	**3,429**	**–**	**3,429**
Land	**6,868**	**–**	**6,868**
Other	**1,667**	**781**	**886**
	261,170	**99,585**	**161,585**

2009	Cost	Accumulated depreciation	Net book value
Broadcasting equipment	24,486	9,958	14,528
Production equipment	43,993	34,610	9,383
Leasehold improvements	26,080	16,200	9,880
Buildings	18,357	6,606	11,751
Computer equipment	50,460	43,637	6,823
Furniture and fixtures	12,953	11,024	1,929
Assets under construction	14,350	—	14,350
Land	6,870	—	6,870
Other	1,761	825	936
	199,310	122,860	76,450

Included in property, plant and equipment are assets under capital lease with a cost of $25,137 at August 31, 2010 (2009 – nil) and an accumulated depreciation of $1,060 (2009 – nil).

6. FILM INVESTMENTS

	2010	2009
Projects in development and in process, net of advances	**27,712**	22,173
Completed projects and distribution rights	**47,205**	45,595
Investments in third-party-produced film projects	**25,537**	24,412
	100,454	92,180

	2010	2009
Balance at beginning of the period	**92,180**	80,819
Additions	**66,943**	54,636
Tax credit accrual	**(15,998)**	(15,221)
Amortization	**(38,456)**	(25,545)
Transfer to program rights	**(4,215)**	(2,509)
Balance at the end of the period	**100,454**	92,180

The Company expects that 34% and 73% of the net book value of completed projects and distribution rights will be amortized during the year ending August 31, 2011 and three years ending August 31, 2013, respectively. It is estimated that at least 80% will be amortized within four years.

The Company expects that $9,847 of accrued participation liabilities will be paid during the year ending August 31, 2011.

7. BROADCAST LICENSES AND GOODWILL

Broadcast licenses and goodwill are tested for impairment annually as at August 31 or more frequently if events or changes in circumstances indicate that they may be impaired. At August 31, 2010, the Company performed its annual impairment test for fiscal 2010 and determined that there were no impairments for the year then ended.

During the third quarter of fiscal 2009, the Company concluded that an interim goodwill and broadcast license impairment test was required for the Radio reporting unit. This conclusion was based on an assessment of a number of factors, the most significant being the unprecedented double-digit decline in radio advertising revenues experienced in the third quarter and the completion of the Company's annual business planning cycle also during the third quarter. Each of these factors highlighted adverse market factors affecting radio industry trading multiples in general and the Radio reporting unit's value in particular.

The broadcast license impairment test indicated impairments in certain markets, and so the Company recorded a charge of $11,500 in the third quarter of fiscal 2009.

With respect to the goodwill impairment test, the fair value of Radio was determined to be below its carrying amount. As a result, a goodwill impairment charge of $163,500 was recorded at May 31, 2009.

The goodwill impairment was finalized in the fourth quarter of 2009, and resulted in no adjustments to the impairment charge recorded in the third quarter.

The changes in the book value of goodwill, by segment, for the years ended August 31, were as follows:

2010	Opening	Acquisitions	Closing
Radio			
West	129,289	—	129,289
Ontario	103,630	—	103,630
Quebec and other	23,564	—	23,564
Television			
Kids	143,547	—	143,547
Specialty and Pay	273,999	21,000	294,999
	674,029	21,000	695,029

2009	Opening	Acquisitions	Dispositions	Impairment	Reallocation	Closing
Radio	419,983	—	—	(163,500)	(256,483)	—
West	—	—	—	—	129,289	129,289
Ontario	—	—	—	—	103,630	103,630
Quebec and other	—	—	—	—	23,564	23,564
Television	377,871	43,574	(3,899)	—	(417,546)	—
Kids	—	—	—	—	143,547	143,547
Specialty and Pay	—	—	—	—	273,999	273,999
	797,854	43,574	(3,899)	(163,500)	—	674,029

During fiscal 2010, the Company did not dispose of any goodwill. In fiscal 2009, goodwill was reallocated from the divisions in total to the new operating segments within the divisions (***note 15***).

The changes in the book value of broadcast licenses, by division, for the year ended August 31, 2010 were as follows:

2010	Opening	Acquisitions	Disposals	Closing
Radio	189,490	—	(2,575)	186,915
Television	372,251	23,000	—	395,251
	561,741	23,000	(2,575)	582,166

2009	Opening	Acquisitions	Disposals	Closing
Radio	200,990	—	(11,500)	189,490
Television	332,501	40,500	(750)	372,251
	533,491	40,500	(12,250)	561,741

Goodwill and broadcast licenses are located primarily within Canada.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Trade accounts payable and accrued liabilities	**104,163**	65,743
Program rights payable	**79,646**	78,821
Film investment accruals	**4,092**	2,295
Dividends payable	**8,111**	8,002
Capital lease accrual	**7,410**	—
Disputed regulatory fees *(note 24)*	**—**	16,194
	203,422	171,055

As at August 31, 2009, the Company had $8,329 in accrued restructuring expenses in accounts payable and accrued liabilities and other long-term liabilities. In the fourth quarter of fiscal 2010, the Company undertook a significant restructuring to streamline processes in the new Corus Quay facility. This resulted in the Company recording a charge of $12,924 in the fourth quarter, of which $11,264 relates to severance and employee-related expenses, and $1,660 relates to other process-related expenses. In fiscal 2010, $7,497 has been paid in respect of these provisions and as at August 31, 2010, $13,756 remains unpaid. The Company anticipates that these provisions will be substantially paid in fiscal 2011.

9. LONG-TERM DEBT

	2010	2009
Bank loans	**208,015**	653,564
Senior unsecured guaranteed notes	**500,000**	—
Unamortized financing fees	**(16,124)**	(1,797)
	691,891	651,767

In the second quarter of fiscal 2010, the Company closed an offering of $500,000 principal amount of 7.25% senior unsecured guaranteed notes due February 10, 2017 (the “Notes”).

Concurrent with the closing of the offering of the Notes, the Company entered into an amended credit facility with a syndicate of banks that matures on February 11, 2014. The amount

committed is $500,000, which is available on a revolving basis, and is otherwise on terms and conditions substantially similar to the Company's prior credit facility.

The transactions noted above resulted in the Company recording a $14,256 debt refinancing loss in the second quarter of fiscal 2010. The components of this loss include mark-to-market payments on the interest rate swap agreement termination and the write-off of unamortized financing fees related to the bank loans that were settled.

Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptances and LIBOR. As at August 31, 2010, the weighted average interest rate on the outstanding bank loans and Notes was 6.5% (2009 – 1.6%). Interest on the bank loans, including the impact of the swap, and Notes averaged 5.5% for fiscal 2010 (2009 – 4.2%).

The banks hold as collateral a first ranking charge on all assets and undertakings of Corus and certain of Corus' subsidiaries as designated under the credit agreements. Under the facility, the Company has undertaken to maintain certain financial covenants. Management has determined that the Company was in compliance with the covenants provided under the bank loans as at August 31, 2010.

10. OTHER LONG-TERM LIABILITIES

	2010	2009
Public benefits associated with acquisitions	**4,023**	808
Unearned revenue	**8,942**	8,156
Program rights payable	**31,959**	25,435
Long-term employee obligations	**9,830**	2,386
Deferred leasehold inducements	**7,075**	5,117
Derivative fair value	**—**	17,851
Merchandising and trademark liabilities	**13,745**	10,885
Capital lease accrual	**15,849**	—
Other	**—**	2,722
	91,423	73,360

11. SHARE CAPITAL

AUTHORIZED

The Company is authorized to issue, upon approval of holders of no less than two-thirds of the existing Class A shares, an unlimited number of Class A participating shares ("Class A Voting Shares"), as well as an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares in connection with the payment of dividends.

The Class 1 and Class 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding-up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares, which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares, without preference or distinction.

ISSUED AND OUTSTANDING

The changes in the Class A Voting Shares and Class B Non-Voting Shares since August 31, 2008 are summarized as follows:

	Class A Voting Shares		Class B Non-Voting Shares		Total
	$	$	$	$	$
Balance as at August 31, 2008	3,445,858	26,684	77,361,578	821,573	848,257
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(1,330)	(10)	1,330	10	—
Issuance of shares under stock option plan	—	—	40,132	597	597
Shares repurchased	—	—	(794,966)	(8,450)	(8,450)
Repayment of executive stock purchase loans	—	—	—	198	198
Balance as at August 31, 2009	3,445,858	26,674	76,608,074	813,928	840,602
Conversion of Class A Voting Shares to Class B Non-Voting Shares	(400)	(3)	400	3	—
Issuance of shares under stock option plan	—	—	888,410	12,027	12,027
Shares repurchased	—	—	198,354	3,731	3,731
Repayment of executive stock purchase loans	—	—	—	295	295
Balance as at August 31, 2010	**3,444,128**	**26,671**	**77,695,238**	**829,984**	**856,655**

There are no Class A Preferred Shares, Class 1 Preferred Shares or Class 2 Preferred Shares outstanding at August 31, 2010.

STOCK OPTION PLAN

Under the Company's stock option plan (the "plan"), the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors and employees of or consultants to the Company. The number of Class B Non-Voting Shares which the Company is authorized to issue under the plan is 10% of the issued and outstanding Class B Non-Voting Shares. All options granted are for terms not to exceed 10 years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date of grant.

A summary of the changes to the stock options outstanding since August 31, 2008 is presented as follows:

	Number of options (#)	Weighted average exercise price ($)
Balance as at August 31, 2008	3,869,288	13.85
Granted	464,500	17.62
Forfeited or expired	(904,406)	15.76
Exercised	(40,132)	14.44
Balance as at August 31, 2009	3,389,250	13.85
Granted	393,073	17.51
Forfeited or expired	(82,325)	18.85
Exercised	(888,410)	11.54
Balance as at August 31, 2010	**2,811,588**	**14.95**

As at August 31, 2010, the options outstanding and exercisable consist of the following:

	Options outstanding			Options exercisable	
Range of exercise price ($)	Number outstanding ($)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number outstanding ($)	Weighted average exercise price ($)
11.00 – 11.95	1,406,815	1.0	11.91	1,406,815	11.91
12.48 – 17.50	717,100	4.5	16.75	358,200	16.00
17.62 – 22.65	687,673	5.2	19.29	245,050	19.97
	2,811,588	2.9	14.95	2,010,065	13.62

The fair value of each option granted since September 1, 2003 was estimated on the date of the grant using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the options' vesting period on a straight-line basis. The Company has recorded stock-based compensation expense related to stock options for the year ended August 31, 2010 of $907 (2009 – $1,314; 2008 – $1,917). This charge has been credited to contributed surplus. Unrecognized stock-based compensation expense at August 31, 2010 related to the plan was $2,101.

The fair value of each option granted in fiscal 2010 and 2009 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal 2010	Fiscal 2009
Fair value	**$3.65**	$3.12
Expected life	**5.6 years**	5.4 years
Risk-free interest rate	**2.77%**	2.77%
Dividend yield	**3.4%**	3.4%
Volatility	**28.7%**	24.7%

On October 27, 2010, the Company granted a further 261,900 options for Class B Non-Voting Shares to eligible officers and employees of the Company. These options are exercisable at $22.31 per share.

DIVIDENDS

The holders of Class A Voting Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.005 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After

payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting Shares and Class B Non-Voting Shares participate equally, on a share-for-share basis, on all subsequent dividends declared.

The total amount of dividends declared in fiscal 2010 was $48,445 (2009 – $47,946; 2008 – $47,326).

In September 2009, the Company announced that its Board of Directors had approved a discount of 2% for Class B Non-Voting Shares issued from treasury pursuant to the terms of its dividend reinvestment plan. In fiscal 2010, the Company issued 198,354 Class B Non-Voting Shares, resulting in an increase in share capital of $3,731.

EARNINGS (LOSS) PER SHARE

The following is a reconciliation of the numerator and denominator (in thousands) used for the computation of the basic and diluted earnings (loss) per share amounts:

	2010	2009	2008
Net income (loss) for the year (numerator)	**126,734**	(56,635)	129,835
Weighted average number of shares outstanding (denominator)			
Weighted average number of shares outstanding – basic	**80,747**	80,067	82,944
Effect of dilutive securities	**608**	—	1,575
Weighted average number of shares outstanding – diluted	**81,355**	80,067	84,519

The calculation of diluted earnings (loss) per share for fiscal 2010 excluded 251,854 weighted average Class B Non-Voting Shares (2009 – nil; 2008 – 171,581) issuable under the plan because these options were not 'in-the-money'. The calculation of diluted loss per share for fiscal 2009 did not include the effect of any potentially dilutive securities as the assumed issuance of Class B Non-Voting Shares in that period is anti-dilutive.

EXECUTIVE STOCK PURCHASE LOANS

In October 2001, the Board of Directors of the Company authorized the granting of loans to certain of its executive officers in order to finance the acquisition of Class B Non-Voting Shares of the Company on the open market. These loans are non-interest-bearing and are secured by a promissory note and the relevant Class B Non-Voting Shares. Each loan has a 10-year term from December 1, 2001, with annual installments at the greater of 10% of the original principal or 10% of the employee's pre-tax bonus for the most recently completed financial year of the Company. As at August 31, 2010, the Company had loans receivable of $223 (2009 – $518) from certain qualifying executive officers. As at August 31, 2010, the market value of the shares held as collateral for the loans was $1,016 (2009 – $1,437).

PERFORMANCE SHARE UNITS

The Company has granted Performance Share Units ("PSUs") to certain employees. Each PSU entitles the participant to receive a cash payment in an amount equal to the closing price of Class B Non-Voting Shares traded on the TSX at the end of the restriction period, multiplied by the number of vested units determined by achievement of specific performance-based criteria. Compensation expense related to the PSUs is accrued over the term of the restriction period based on the expected total compensation to be paid out at the end of the restriction period, factoring in the probability of any performance-based criteria being met during the period. The stock-based compensation expense recorded in fiscal 2010 in respect of this plan was $1,448 (2009 – recovery of $8; 2008 – expense of $1,264).

LONG-TERM INCENTIVE PLAN

In fiscal 2006, the Company implemented a long-term incentive plan for senior management based on shareholder appreciation targets. Originally, each unit granted under this plan entitled the participant to receive, at the Company's option, one Class B Non-Voting Share or a cash payment in an amount equal to the closing price of one Class B Non-Voting Share traded on the TSX at the end of the restriction period.

In fiscal 2008, 2009 and 2010, 156,400, 263,900 and 570,341 units were granted, respectively, with vesting periods between three and five years. The stock-based compensation expense recorded in fiscal 2010 in respect of this plan was $5,415 (2009 – $3,840; 2008 – $5,987). This charge has been credited to other long-term liabilities.

Units that vested on August 31, 2009 were paid in cash in fiscal 2010. This resulted in a reduction of $3,474 to contributed surplus in fiscal 2010.

In fiscal 2010, the plan text was modified to remove the option of settling the plan in shares. As a result, the $1,185 credited to contributed surplus prior to fiscal 2010 was transferred to other long-term liabilities.

OTHER

The Company allows directors and senior management to receive their directors' fees or short-term incentive compensation, respectively, in the form of deferred share units. Each deferred share unit has the same value as a Class B Non-Voting Share. These deferred share units are fully vested upon grant, and the value is paid in cash to the holder following termination of service or employment. At August 31, 2010 there were 168,827 deferred share units outstanding (2009 – 171,819 deferred share units).

NORMAL COURSE ISSUER BID

The shares purchased for cancellation since August 31, 2007 are as follows:

	Fiscal 2009			Fiscal 2008		
	#	$	Average	#	$	Average
February 14, 2008	—	—	—	1,570,400	38,479	24.50
February 14, 2009	794,966	15,083	18.97	2,818,000	52,965	18..80
	794,966	15,083	18.97	4,388,400	91,444	20.84

During fiscal 2009, the total cash consideration paid exceeded the carrying value of the shares repurchased by $6,644 (2008 - $44,889; 2007 - $20,193), which was charged to retained earnings.

12. INTEREST EXPENSE

	2010	2009	2008
Interest on long-term debt	**36,550**	29,350	33,049
Imputed interest on long-term liabilities	**8,635**	7,054	6,390
Other	**2,038**	1,022	1,874
	47,223	37,426	41,313

13. OTHER EXPENSE (INCOME), NET

	2010	2009	2008
Interest income	**(1,268)**	(1,206)	(1,042)
Foreign exchange losses	**446**	1,739	823
Losses (income) from equity investments	**(530)**	318	1,343
Pre-occupancy Corus Quay rent	**8,396**	—	—
Retroactive tariff adjustment	**5,052**	—	—
Loss (gain) on disposal	**2,575**	(7,163)	—
Investment write-downs	**—**	6,228	—
Other	**301**	(120)	587
	14,972	(204)	1,711

In December 2008, the Copyright board held a consolidated proceeding to hear five copyright tariff proposals for commercial radio covering the calendar year 2008 and beyond. During the fourth quarter of Fiscal 2010, the Copyright Board issued its commercial radio tariff decision for the use of music covering both the performance rights and the reproduction rights, which calls for the introduction of two new regulated tariffs to be paid to AVLA/SOPROQ and ArtistI, and sets increased royalties to be paid to CSI, all retroactive to January 1, 2008 and January 1, 2009 respectively. The Copyright Board decision calls for the rates under tariffs for SOCAN and Re:Sound (formerly NRCC) to remain unchanged until December 31, 2010 and December 31, 2011 respectively.

Consequently, the Company recognized during the fourth quarter of Fiscal 2010, a total expense of $7.8 million of which $5.0 million represented the retroactive portion of the tariff increases related to Fiscal 2008 and Fiscal 2009, and $2.8 million represented the incremental portion related to Fiscal 2010. Most of this total expense resulted from new royalties' payable under the tariffs for AVLA/SOPROQ.

14. INCOME TAXES

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liability and asset as at August 31 are as follows:

	2010	2009
Deferred charges deducted for tax purposes capitalized for accounting purposes	**406**	599
Capital cost allowance in excess of book depreciation	**1,566**	(349)
Deferred partnership income	**1,931**	2,441
Differences in tax and accounting cost bases for investments	**3,787**	5,056
Broadcast licenses and other intangible assets	**120,004**	137,070
Other, net	**2,252**	2,308
Total future tax liability	**129,946**	147,125
Book depreciation in excess of capital cost allowance	**16,783**	18,040
Loss carryforwards, net of valuation allowances	**5,449**	3,775
Deferred gain on sale of investment	**281**	344
Amortization deducted for accounting purposes in excess of tax purposes	**8,091**	10,941
Differences in tax and accounting cost bases for investments	**1,669**	1,238
Differences in revenue recognition for tax and accounting purposes	**557**	1,380
Other, net	**5,023**	10,353
Total future tax asset	**37,853**	46,071
Net future tax liability	**92,093**	101,054
Less current portion of future tax asset	**6,423**	1,788
	98,516	102,842

Significant components of the income tax expense are as follows:

	2010	2009	2008
Current tax expense	**49,286**	42,713	42,840
Future tax resulting from temporary differences	**2,751**	(26)	6,750
Future tax resulting from losses	**(1,959)**	10,784	13,074
Future tax resulting from tax rate changes	**(14,259)**	193	(10,266)
Recovery of various future tax liabilities	**—**	1,050	(12,841)
Other	**(700)**	1,636	(4,038)
	35,119	56,350	35,519

The reconciliation of income tax attributable to operations computed at the statutory rates to income tax expense is as follows:

	2010		2009		2008	
	$	%	$	%	$	%
Tax at combined federal and provincial rate	**53,115**	**31.7**	1,442	33.0	57,744	34.0
Broadcast license and goodwill impairment	**—**	**—**	54,801	1,252.8	—	—
Reduction in future taxes resulting from statutory rate change	**(14,259)**	**(8.5)**	193	4.4	(10,266)	(6.0)
Increase (recovery) of various tax liabilities	**(2,029)**	**(1.2)**	1,885	43.1	(13,302)	(7.8)
Other	**(1,708)**	**(1.1)**	(1,971)	(45.0)	1,343	0.7
	35,119	**20.9**	**56,350**	**1,288.3**	**35,519**	**20.9**

The Company recognizes as a future tax asset the benefit of capital and non-capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. As at August 31, 2010, the Company had available loss carryforwards of approximately $41,400. A future tax asset of $11,387 (2009 – $10,694) has been recognized in respect of these carryforwards, net of a valuation allowance of $5,938 (2009 – $6,919).

The available loss carryforwards will expire as follows:

2011	1,100
2015	900
2026	100
2028	3,700
2029	6,900
2030	11,900
No expiration	16,800
	41,400

15. BUSINESS SEGMENT INFORMATION

The Company's business activities are conducted through two divisions and five segments:

RADIO

The Radio division comprises 49 radio stations, situated primarily in high-growth urban centres in Canada. Revenues are derived from advertising aired over these stations. Results for the Radio segments are presented on a geographic basis for Radio West, Radio Ontario, and Radio Quebec and other.

TELEVISION

The Television division includes interests in several specialty television networks, pay television, conventional television stations, cable advertising services, the Nelvana production studio and the related distribution and licensing business. Revenues are generated from subscriber fees, advertising and the licensing of proprietary films and television programs, merchandise licensing and publishing. Results for the Television segments are presented for Kids and Specialty and Pay.

The Corporate results represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments.

Management evaluates each division's performance based on revenues less direct cost of sales, general and administrative expenses. Segment profit excludes depreciation, interest expense, broadcast license and goodwill impairment charges, disputed regulatory fees, debt refinancing loss, restructuring charges and certain other income and expenses (***note 13***).

REVENUES AND SEGMENT PROFIT

Year ended August 31, 2010	**Radio**	**Television**	**Corporate**	**Eliminations**	**Consolidated**
Revenues	**261,124**	**575,097**	**—**	**—**	**836,221**
Direct cost of sales, general and administrative expenses	**195,593**	**348,418**	**28,141**	**—**	**572,152**
Segment profit	**65,531**	**226,679**	**(28,141)**	**—**	**264,069**
Depreciation	**7,088**	**10,000**	**6,063**	**—**	**23,151**
Interest expense	**788**	**5,091**	**41,344**	**—**	**47,223**
Disputed regulatory fees	**(8,901)**	**(7,293)**	**—**	**—**	**(16,194)**
Debt refinancing loss	**—**	**—**	**14,256**	**—**	**14,256**
Restructuring charges	**5,506**	**5,055**	**2,363**	**—**	**12,924**
Other expense (income), net	**2,488**	**2,148**	**10,336**	**—**	**14,972**
Income before income taxes and non-controlling interest	**58,562**	**211,678**	**(102,503)**	**—**	**167,737**

Year ended August 31, 2009	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	258,912	530,014	—	(208)	788,718
Direct cost of sales, general and administrative expenses	198,574	320,869	18,293	(208)	537,528
Segment profit	60,338	209,145	(18,293)	—	251,190
Depreciation	6,798	9,593	4,313	—	20,704
Interest expense	928	5,163	31,335	—	37,426
Broadcast license and goodwill impairment	175,000	—	—	—	175,000
Disputed regulatory fees	2,746	2,512	—	—	5,258
Restructuring charges	8,632	—	—	—	8,632
Other expense (income), net	(744)	853	(313)	—	(204)
Income before income taxes and non-controlling interest	(133,022)	191,024	(53,628)	—	4,374

Year ended August 31, 2008	Radio	Television	Corporate	Eliminations	Consolidated
Revenues	286,449	500,966	—	(259)	787,156
Direct cost of sales, general and administrative expenses	210,945	301,361	22,979	(259)	535,026
Segment profit	75,504	199,605	(22,979)	—	252,130
Depreciation	6,533	10,473	5,048	—	22,054
Interest expense	1,042	4,643	35,628	—	41,313
Disputed regulatory fees	6,155	4,781	—	—	10,936
Restructuring charges	3,476	2,440	226	—	6,142
Other expense (income), net	118	4,415	(2,822)	—	1,711
Income before income taxes and non-controlling interest	58,180	172,853	(61,059)	—	169,974

In addition to evaluating performance of the divisions in total, management measures performance at the operating segment level. The following tables present further details on the operating segments within the Radio and Television divisions:

REVENUES

	2010	2009	2009
Radio			
West	**93,470**	100,544	115,462
Ontario	**92,052**	85,185	94,465
Quebec and other	**75,602**	73,183	76,522
	261,124	258,912	286,449
Television			
Kids	**240,568**	222,925	223,796
Specialty and Pay	**334,529**	307,089	277,170
	575,097	530,014	500,966

SEGMENT PROFIT

	2010	2009	2009
Radio			
West	**30,295**	35,319	43,530
Ontario	**27,417**	23,681	29,449
Quebec and other	**7,819**	1,338	2,525
	65,531	60,338	75,504
Television			
Kids	**97,126**	89,745	86,640
Specialty and Pay	**129,553**	119,400	112,965
	226,679	209,145	199,605

Revenues are derived from the following areas:

	2010	2009	2009
Advertising	**435,024**	418,992	462,711
Subscriber fees	**283,170**	257,471	225,202
Other	**118,027**	112,255	99,243
	836,221	788,718	787,156

Revenues are derived from the following geographical sources, by location of customer:

	2010	2009	2009
Canada	**774,844**	728,277	738,914
International	**61,377**	60,441	48,242
	836,221	788,718	787,156

SEGMENT ASSETS

	2010	2009
Radio		
West	**240,682**	242,568
Ontario	**202,089**	202,918
Quebec and other	**95,954**	99,950
Television		
Kids	**599,691**	569,009
Specialty and Pay	**777,838**	716,645
Corporate	**143,001**	43,613
	2,059,255	1,874,703

Assets are located primarily within Canada.

CAPITAL EXPENDITURES BY DIVISION

	2010	2009	2009
Radio	**3,618**	5,194	6,900
Television	**2,030**	3,185	5,457
Corporate	**77,401**	14,124	5,195
	83,049	22,503	17,552

Property, plant and equipment are located primarily within Canada.

16. BUSINESS COMBINATIONS AND DISPOSITIONS

In fiscal 2010, the Company completed the acquisition of the specialty television services Drive-In Classics and SexTV. The Canadian Radio-television and Telecommunications Commission ("CRTC") approved the acquisition on November 19, 2009 and the Company took over ownership and operation of these services, rebranded as Sundance Channel and W Movies, respectively, on November 30, 2009. The results of operations of these services, as well as their assets and liabilities, are included in the Specialty and Pay segment of the Television division effective December 1, 2009. The total cash consideration paid was $40.0 million. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Broadcast licenses	23,000
Goodwill	21,000
Other long-term liabilities	(4,000)
Cash consideration given	40,000

In fiscal 2009, the Company completed the acquisition of the analog specialty television service Canadian Learning Channel ("CLT"). The total cash consideration paid was approximately $76.5 million, including customary closing adjustments. The CRTC approved the acquisition on August 22, 2008 and the Company took over ownership and operation of CLT, subsequently rebranded VIVA, on September 1, 2008. The results of operations of VIVA are included in the Company's consolidated financial statements from the date of acquisition. The purchase equation, which was accounted for using the purchase method, is summarized below:

Assigned value of net assets acquired	
Working capital	2,506
Program and film rights	1,501
Broadcast licenses	40,500
Goodwill	43,574
Future tax liabilities	(11,548)
Cash consideration given	76,533

In fiscal 2009, the Company ceased operations of its residential audio business and completed the sale of selected assets for proceeds of $13,312, resulting in a pre-tax gain of $7,163 (***note 13***). Management will be providing operational and consulting services to the purchaser. Included in the proceeds is a contingent amount of $2,250, which will be recognized on the completion of certain performance-based criteria.

17. JOINT VENTURES

The following amounts, included in these consolidated financial statements, represent the Company's proportionate share in joint ventures:

	2010	2009
Current assets	**43,382**	31,228
Long-term assets	**14,263**	25,871
Current liabilities	**12,919**	17,463
Long-term liabilities	**1,067**	1,468
Cash provided by operating activities	**13,006**	8,746
Cash used in investing activities	**(94)**	(413)
Revenues	**56,383**	49,474
Expenses	**39,871**	36,928
Net income for the year	**16,512**	12,546

18. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash and cash equivalents.

	2010	2009
Long-term debt	**691,891**	651,767
Cash and cash equivalents	**(7,969)**	(10,922)
Net debt	**683,922**	640,845
Shareholders' equity	**955,948**	854,278
	1,639,870	1,495,123

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, the Company may elect to issue or repay long-term debt, issue shares, repurchase shares through a normal course issuer bid, pay dividends or undertake any other activities as deemed appropriate under the specific circumstances.

The Company monitors capital based on a number of criteria, including: net debt to segment profit ratio and dividend yield. The Company's current stated objectives are to maintain a net

debt to segment profit ratio of a maximum of 3.0 to 3.5 times, and maintain a dividend yield in excess of 2.5%. The Company believes that these objectives provide a reasonable framework for providing a return to its shareholders. The Company is currently operating within these internally imposed constraints.

The Company is not subject to any externally imposed capital requirements, and there has been no change in the Company's capital management approach during the year. As a result of issuing the Notes (***note 9***), the company is required to maintain certain financial covenants.

19. FINANCIAL INSTRUMENTS

The following table sets out the classification of financial and non-financial assets and liabilities as at August 31, 2010:

	Held for trading	Available for sale	Loans and receivables	Other financial liabilities	Non-financial	Total carrying amount
Cash and cash equivalents	7,969	—	—	—	—	7,969
Accounts receivable	—	—	175,134	—	—	175,134
Investments and other assets	—	431	954	—	21,314	22,699
Other non-financial assets	—	—	—	—	1,853,453	1,853,453
Total assets	7,969	431	176,088	—	1,874,767	2,059,255
Accounts payable and accrued liabilities	—	—	—	203,422	—	203,422
Long-term debt	—	—	—	691,891	—	691,891
Other long-term liabilities	—	—	—	61,553	29,870	91,423
Other non-financial liabilities	—	—	—	—	98,516	98,516
Total liabilities	—	—	—	956,866	128,386	1,085,252

FAIR VALUES

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of publicly-traded shares included in investments and other assets is determined by quoted share prices in active markets. The fair value of other financial instruments included in this category is determined using other valuation techniques.

The fair value of bank loans is estimated based on discounted cash flows using year-end market yields, adjusted to take into account the Company's own credit risk. Due to the fact the Company's bank loans were refinanced recently, at August 31, 2010, the Company has estimated the fair value of its bank debt to be approximately equal to its carrying amount.

The fair value of the Company's Notes is estimated based on the trading price of the Notes, adjusted to take into account the Company's own credit risk. At August 31, 2010, the Company has estimated the fair value of its Notes to be approximately $516,700.

The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

The fair values of derivative financial instruments are determined based on management's estimates, supported by quotations by the counterparties to the agreements. In particular, management uses a valuation model that projects future cash flows and discounts the future amounts to a present value using the contractual terms of the derivative instrument and

factors observable in external markets, such as period-end swap rates, adjusted to take into account the Company's own credit risk.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

RISK MANAGEMENT

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative instruments. The Company manages its counterparty risk by only accepting major financial institutions with high credit ratings as counterparties.

The maximum exposure to credit risk is the carrying amount of the financial assets.

The following table sets out details of the age of receivables and allowance for doubtful accounts as at August 31, as follows:

	2010	2009
Trade accounts receivable		
Current	**85,055**	73,787
One to three months past due date	**61,649**	49,530
Over three months past due date	**19,979**	12,994
	166,683	136,311
Other receivables	**11,535**	13,868
	178,218	150,179
Less allowance for doubtful accounts	**3,084**	3,395
	175,134	146,784

The following table sets out the continuity for the allowance for doubtful accounts from August 31, 2009:

	2010	2009
Balance at August 31, 2009	**3,395**	3,684
Provision for doubtful accounts	**1,201**	1,925
Write-off of bad debts	**(1,512)**	(2,214)
Balance at August 31, 2010	**3,084**	3,395

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long-term debt facility, and by continuously monitoring forecast and actual cash flows. The unused capacity at August 31, 2010 was $290,000. Further information with respect to the Company's long-term debt facility is provided in *note 9*.

The following table sets out the undiscounted contractual obligations related to repayment of long-term debt, program rights payable and other liabilities as at August 31, 2010:

	Total	Less than one year	One to three years	Beyond three years
Long-term debt	691,891	—	191,892	500,000
Interest on notes	233,832	36,250	72,500	125,082
Program rights payable	360,514	116,697	109,527	134,290
Accounts payable and other accrued liabilities	123,776	123,776	—	—
Other liabilities	13,965	1,730	3,578	8,656
	1,423,978	278,453	377,479	768,028

In addition to the financial liabilities in the table above, the Company will also pay interest on any long-term debt outstanding in future periods. In fiscal 2010, the Company incurred interest on long-term debt of $36,550 (2009 – $29,350; 2008 – $33,049).

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuers or factors affecting all instruments traded in the market.

The Company is exposed to foreign exchange risk through its treasury function, international content distribution operations, and U.S. dollar denominated programming purchasing. The most significant foreign currency exposure is to movements in the U.S. dollar to Canadian dollar exchange rate and the U.S dollar to euro exchange rate. The impact of foreign exchange on income before income taxes and non-controlling interest is detailed in note 21. An assumed 10% increase or decrease in exchange rates as at August 31, 2010 would not have had a material impact on net income or other comprehensive income for the year.

The Company is exposed to interest rate risk on the bankers' acceptances issued at floating rates under its bank loan facility. Historically, the Company managed this risk through the use of interest rate swaps to fix the interest rate. In fiscal 2010, the Company reduced its exposure to interest rate fluctuations by issuing fixed rate debt and used the proceeds to pay down a portion of its floating rate debt. An assumed 1% increase or decrease in short-term interest rates during the year ended August 31, 2010 would not have had a material impact on net income for the year.

Other considerations

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

20. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

Net change in non-cash working capital balances consists of the following:

	2010	2009	2008
Accounts receivable	**(28,272)**	12,594	(5,007)
Prepaid expenses and other	**(3,631)**	(4,239)	186
Accounts payable and accrued liabilities	**24,452**	(16,463)	3,687
Income taxes payable and recoverable	**5,512**	(4,108)	(2,777)
Other long-term liabilities	**7,934**	5,153	(6,814)
Other	**(2,519)**	2,414	5,761
	3,476	(4,649)	(4,964)

Interest paid, interest received and income taxes paid and classified as operating activities are as follows:

	2010	2009	2008
Interest paid	**37,799**	31,178	35,031
Interest received	**1,268**	1,206	1,042
Income taxes paid	**44,036**	50,104	46,796

21. FOREIGN EXCHANGE GAINS AND LOSSES

The Company has reflected certain gains and losses in its consolidated statements of income (loss) as a result of exposure to foreign currency exchange rate fluctuations. A portion of these gains and losses relates to operating activities, while other portions are of a financing nature. Foreign exchange gains and losses are reflected in the consolidated financial statements as follows:

	2010	2009	2008
Direct cost of sales, general and administrative expenses	**(502)**	(47)	(423)
Other expense (income), net	**446**	1,739	823
Total foreign exchange losses (gains)	**(56)**	1,692	400

In addition, the Company has reflected exchange gains and losses arising from the translation of the financial statements of self-sustaining foreign operations as a separate component of other comprehensive income (loss). The significant elements that give rise to these gains and losses are the working capital and film investments of the Company's international film distribution business.

22. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2010	2009
Foreign currency translation adjustment	**(11,498)**	(11,474)
Unrealized gain on available-for-sale investments, net of tax of $58	**342**	142
Unrealized loss on cash flow hedge	**—**	(12,675)
	(11,156)	(24,007)

23. GOVERNMENT FINANCING AND ASSISTANCE

Revenues include nil (2009 – nil; 2008 – $1,704) of production financing obtained from government programs. This financing provides a supplement to a production series' Canadian license fees and is not repayable.

As well, revenues include $1,240 (2009 – $768; 2008 – $853) of government grants relating to the marketing of books in both Canada and international markets. The majority of the grants are repayable if the average profit margin for the three-year period following receipt of the funds equals or is greater than 10%.

24. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

The Company has various long-term lease agreements for each of the next five years and thereafter as follows:

	Capital leases	Operating leases	Total
2011	8,450	24,146	32,596
2012	8,450	23,642	32,092
2013	6,732	23,147	29,879
2014	1,194	22,893	24,087
2015	434	23,520	23,954
Thereafter	—	311,574	311,574
	25,260	428,922	454,182

Operating leases are for the use of facilities and equipment. During fiscal 2010, rental expenses recognized in direct cost of sales, general and administrative expenses totaled approximately $17,027 (2009 – $14,623; 2008 – $13,556) and pre-occupancy rent recognized in other expenses totaled approximately $8,396 (2009 – $nil; 2008 – $nil).

Capital leases are for the use of computer hardware, telephones, furniture and broadcast equipment. The leases range between three and five years remaining and bear interest rates varying from 4.1% to 5.9%. During the year, the Company incurred interest totaling approximately $340.

The Company has entered into various agreements for the right to broadcast or distribute certain film, television and radio programs in the future. These agreements, which range in term from one to five years, generally commit the Company to acquire specific films, television and radio programs or certain levels of future productions. The acquisition of these broadcast and distribution rights is contingent on the actual delivery of the productions. Management estimates that these agreements will result in future program and film expenditures of

approximately $360,515. In addition, the Company has commitments of $13,672 for future TV script production.

The Company has commitments related to trademarks until October 2018 for a total of approximately $27,157. The Company has certain annual commitments, some of which are contingent on performance, to pay royalties for trademark rights. In addition, the Company has licenses and other commitments over the next five years to use specific software, signal and satellite functions of approximately $53,720. Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties, with limited exceptions.

Many of the Company's agreements, specifically those related to acquisitions and dispositions of business assets, included indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of fundamental representation and warranty terms in the agreements with respect to matters such as corporate status, title of assets, environmental issues, consents to transfer, employment matters, litigation, taxes payable and other potential material liabilities. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is not reasonably quantifiable as certain indemnifications are not subject to a monetary limitation. As at August 31, 2010, management believed there was only a remote possibility that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for directors and officers of the Company and its subsidiaries.

Corus and a related party have entered into a contra agreement for the exchange of $2,500 in media time until August 31, 2011. The Company's obligation will be settled with a combination of interactive impressions, radio and television spots.

In October 2009, a settlement was reached between the Government of Canada and members of the broadcasting industry in respect of disputed Part II license fees. The settlement included waiving Part II license fees that were not collected for the broadcasting years 2007, 2008 and 2009. The Company had accrued $16,194 over that period, and reversed this accrual in the first quarter of fiscal 2010. In fiscal 2010, the Company began accruing for the revised fee, and in the full fiscal year incurred a charge of $3.9 million. This charge is included in segment profit.

In April 2010, the Company entered into an agreement, conditional upon CRTC and Commissioner of competition approval of the transaction in its current form, to sell certain Quebec radio stations for $80 million to Cogeco Inc. Should the regulatory approvals not be obtained, Cogeco may elect not to close the transaction.

25. RELATED PARTY TRANSACTIONS

The Company has transacted business in the normal course with entities that are subject to common voting control and with entities over which the Company exercises significant influence. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and having normal trade terms.

During the year, the Company received cable service subscriber, programming and advertising fees of $124,889 (2009 – $114,863; 2008 – $102,415), production and distribution revenue of $1,156 (2009 – $525; 2008 – $850) and administrative and other fees of $5,404 (2009 – $7,234; 2008 – $6,403) from related parties. In addition, the Company paid cable and satellite system distribution access fees of $4,633 (2009 – $6,047; 2008 – $4,478) and administrative and other fees of $3,514 (2009 – $2,810; 2008 – $2,956) to related parties. As at August 31, 2010, the Company had $29,534 (2009 – $22,971) receivable from related parties.

The Company provided related parties with interactive impressions, radio and television spots in return for television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Included in other investments (***note 4***) and share capital (***note 11***) are loans of $484 (2009 – $1,060) made to certain executive officers of the Company for housing or investment purposes. The loans are collateralized by charges on the officers' personal residences and/or by related investment. The loans are non-interest-bearing and are due between December 1, 2011 and October 31, 2022.

26. EMPLOYEE FUTURE BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes up to 5% of an employee's earnings, not exceeding the limits set by the Income Tax Act (Canada). In late fiscal 2009, the Company temporarily reduced the pension contribution to 1% of qualifying employees' earnings. The amount contributed in 2010 related to the defined contribution plan was $606 (2009 – $4,626; 2008 – $6,195). The amount contributed is approximately the same as the expense included in the consolidated statements of income (loss).

In fiscal 2008, the Company introduced a non-contributory defined benefit pension plan for certain of its senior executives. Benefits under this plan are based on the employee's highest three-year average rate of pay during their most recent ten years of service, accrue starting from the date of the implementation of the plan, and may include a benefit for past service. The Company recorded an expense of $1,052 in fiscal 2010 in respect of this plan (2009 – $552; 2008 – $450).

27. RECONCILIATION OF CANADIAN GAAP TO U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with Canadian GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with U.S. GAAP:

RECONCILIATION TO U.S. GAAP

	2010	2009	2008
Net income (loss) using Canadian GAAP	**126,734**	(56,635)	129,835
Add adjustments for:			
Interest capitalization (i), net of depreciation	**1,590**	—	—
Non-controlling interests (iii)	**5,884**	4,659	4,620
Net income (loss) using U.S. GAAP	**134,208**	(51,976)	134,455
Net income attributable to non-controlling interests	**5,884**	4,659	4,620
Net income (loss) attributable to Corus shareholders	**128,324**	(56,635)	129,835
Comprehensive income (loss) using Canadian GAAP	**139,585**	(60,492)	114,847
Add adjustments for changes in:			
Net adjustments to net income (loss) noted above	**7,474**	4,659	4,620
Comprehensive income (loss) using U.S. GAAP	**147,059**	(55,833)	119,467
Comprehensive income (loss) attributable to non-controlling interests	**5,884**	4,659	4,620
Comprehensive income (loss) attributable to Corus shareholders	**141,175**	(60,492)	114,847
Earnings (loss) per share attributable to Corus using U.S. GAAP			
Basic	**$1.59**	$(0.71)	$1.57
Diluted	**$1.58**	$(0.71)	$1.54

SELECTED CONSOLIDATED BALANCE SHEET ITEMS USING U.S. GAAP

	2010		2009	
	Candian GAAP	**U.S. GAAP**	Candian GAAP	U.S. GAAP
Capital assets (i)	**161,585**	**163,705**	76,450	76,450
Broadcast licenses and goodwill (ii)	**1,277,195**	**1,285,480**	1,235,770	1,244,055
Future tax liability	**98,516**	**101,117**	102,842	106,369
Non-controlling interests (iii)	**18,055**	**—**	21,401	—
Shareholders' equity (iii)	**955,948**	**963,752**	854,278	859,036
Non-controlling interests (iii)	**—**	**18,055**	—	21,401
Retained earnings	**98,669**	**106,473**	20,380	25,138

The cumulative effect of these adjustments on shareholders' equity is as follows:

	2010	2009
Retained earnings		
Interest capitalization (i)	**1,590**	—
Equity in earnings of investees (ii)	**6,214**	4,758
Non-controlling interest (iii)	**18,055**	21,401

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

(i) INTEREST CAPITALIZATION

Under US GAAP, the costs incurred in financing expenditures for an asset during the construction period is considered a part of the asset's historical acquisition costs and must be capitalized, which is one of the available choices under Canadian GAAP. The interest attributable to the construction of the leaseholds in Corus Quay has been capitalized from the beginning of construction of the leaseholds to their completion as required by U.S. GAAP.

(ii) EQUITY IN EARNINGS OF INVESTEES

Under Canadian GAAP, the investments in Nelvana's 20% interest in TELETOON in fiscal 2001 and Western International Communications Ltd. ("WIC") in fiscal 2000 were accounted for using the cost method of accounting until CRTC approval was received for the transactions. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investments is used from the date the Company first acquired shares in Nelvana and WIC.

(iii) NON-CONTROLLING INTERESTS

Non-controlling interests represents the portion of a majority-owned subsidiary's net income that is owned by non-controlling shareholders. US authoritative guidance is effective for the Company in fiscal 2010 and relates to accounting for non-controlling shareholders. It requires reporting entities to present non-controlling interests as equity (as opposed to a liability). This results in the presentation of non-controlling interests as a component of equity on the Consolidated Balance Sheets.

ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The liability for unrecognized tax benefits ("UTBs") related to permanent and temporary tax adjustments, exclusive of interest, was $4,438 as at August 31, 2010 (2009 - $4,377). Of this total, $3,052 of tax benefits would favourably affect the Company's effective tax rate if the benefits were recognized in the consolidated financial statements.

The net change in the liability in fiscal 2009 and 2010 resulted from the following:

UTB balance as at September 1, 2008	6,404
Gross increase related to tax positions of prior years	617
Reductions related to settlements with taxing authorities	(2,644)
UTB balance as at September 1, 2009	4,377
Gross increase related to tax positions of prior years	221
Reductions related to settlements with taxing authorities	(160)
UTB balance as at August 31, 2010	4,438

The Company recognizes interest expense and penalties related to UTBs within the provision for income tax expense in the consolidated statements of income (loss). The liability related to interest and penalties was $1,185 as at August 31, 2010 (2009 – $910). During the year ended August 31, 2010, the Company recorded an expense of $275 in respect of interest expense and penalties related to UTBs.

The Company believes that it is reasonably possible that its UTB balance could decrease by $978 in the next 12 months as a result of a lapse of statute of limitations.

The following table summarizes, by major tax jurisdiction, the tax years that remain open to examination by the relevant taxing authorities:

Tax jurisdiction	Years subject to examination
Canada	2006 – forward
Ireland	2004 – forward
United States	2007 – forward

RECENT UNITED STATES ACCOUNTING PRONOUNCEMENTS

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued guidance that defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This guidance was effective for the Company beginning September 1, 2008, and had no impact on the consolidated financial statements.

The following table presents information related to the Company's financial assets and liabilities measured at fair value on a recurring basis and the level within the guidance hierarchy in which the fair value measurements fall as at August 31, 2010:

	Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Cash and cash equivalents	7,969	—	—
Investments and other assets	431	—	—
Assets carried at fair value	8,400	—	—
Accounts payable and accrued liabilities	—	—	—
Liabilities carried at fair value	—	—	—

RECENT UNITED STATES ACCOUNTING PRONOUNCEMENTS

(a) Adopted

NON-CONTROLLING INTERESTS

In December 2007, the FASB issued guidance on the accounting and reporting for a non-controlling interest in a subsidiary, which was effective for fiscal years beginning after December 14, 2008. This standard was adopted for the fiscal year beginning September 1, 2009. Upon adoption of this guidance, the non-controlling interest is measured at 100% of the fair value of assets acquired and liabilities assumed. For presentation and disclosure purposes, non-controlling interest is classified as a separate component of shareholders' equity. In addition, this standard changes the manner in which increases/decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss will be recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Finally, under this standard, accumulated losses attributable to the non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interest could have a negative carrying balance. The provisions of this standard are applied prospectively with the exception of the presentation and disclosure provisions, which are applied for all prior periods presented in the financial statements.

BUSINESS COMBINATIONS

In March 2009, the FASB issued additional authoritative guidance that requires all business acquisitions to be measured at fair value, the existing definition of a business was expanded, pre-acquisition contingencies are measured at fair value, most acquisition-related costs are recognized as an expense as incurred, as well as other changes. The statement is effective prospectively, for the Company beginning September 1, 2009. The Company has determined that the impact on its consolidated financial statement is not material.

LIABILITIES – FAIR VALUE

In August 2009, the FASB amended authoritative guidance for determining the fair value of liabilities, which was effective October 1, 2009. The amended guidance reiterates that the fair value measurements of a liability should be based on the assumption that the liability was transferred to a market participant on the measurement date and should include the risk of nonperformance. In addition, the guidance establishes a hierarchy for determining the fair value of liabilities. Specifically, an entity must first determine whether a quoted price, from an active market, is available for identical liabilities before utilizing an alternate valuation technique. The adoption of this guidance did not have a significant impact on the Company's Consolidated Financial Statements.

(b) Pending

VARIABLE INTEREST ENTITIES

In June 2009, the FASB issued amendments to authoritative guidance on consolidation of variable interest entities, which will be effective for the Company effective September 1, 2010. The amended guidance revises factors that should be considered by a reporting entity when determining whether an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. This guidance also includes revised financial statement disclosures regarding the reporting entity's involvement and risk exposure. The Company does not expect the adoption of this guidance will have a significant impact on the Company's Consolidated Financial Statements.

REVENUE RECOGNITION

FASB ASC 605, "Revenue Recognition for Multiple-Element Arrangements." In October 2009, the FASB issued Accounting Standards Update No. 2009-13, Revenue Recognition (605) Multiple-Deliverable Revenue Arrangements (A Consensus of the FASB Emerging Issues Task Force) (ASU 2009-13), which amends existing accounting standards for revenue recognition for multiple-element arrangements. To the extent a deliverable within a multiple-element arrangement is not accounted for pursuant to other accounting standards, including ASC 985-605, Software-Revenue Recognition, ASU 2009-13 establishes a selling price hierarchy that allows for the use of an estimated selling price to determine the allocation of arrangement consideration to a deliverable in a multiple element arrangement where neither vendor-specific objective evidence nor third-party evidence is available for that deliverable. ASU 2009-13 is to be applied prospectively for revenue arrangements entered into or materially modified commencing fiscal 2011. Early adoption is permitted. The Company is currently evaluating the impact of the pending adoption of ASU 2009-13.

28. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2010 consolidated financial statements.

Babar and the Adventures of Badou. A Canada France co-production.

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DIRECTORS

Fernand Bélisle
Breckenridge, Quebec
Mr. Bélisle is a consultant to Canadian broadcast companies. Mr. Bélisle served as Vice Chair (Broadcasting) of the Canadian Radio-television and Telecommunications Commission (CRTC). This followed a series of senior positions at the CRTC and the Department of Communications which is now known as the Department of Canadian Heritage. Mr. Bélisle's business career has included positions with Télémedia Communications Ltd. and in audit and tax specialist roles at Coopers & Lybrand. Mr. Bélisle is a past Director of Corus Entertainment Inc.

Member of the Audit Committee

John M. Cassaday
Toronto, Ontario
Mr. Cassaday is President and CEO of Corus Entertainment Inc., a position which he has held since the creation of Corus in September 1999. Prior to Corus, Mr. Cassaday was President, Shaw Media. He is a Director of Irving Oil Limited, Manulife Financial and Sysco Corporation.

Member of the Executive Committee

Dennis Erker
Edmonton, Alberta
Mr. Erker is a Partner in the Fairley Erker Advisory Group, a financial and estate planning company. Mr. Erker is a Director of First Canadian Insurance Company and Millennium Insurance Company and serves as a Director of several charitable organizations. He has served as Chair of the Board for Canadian Hydro Developers Inc. and the Edmonton Eskimos, as Governor of the CFL and as Director of the Workers' Compensation Board – Alberta, The Citadel Theatre and the Alberta Securities Commission. Mr. Erker is a graduate of the Institute of Corporate Directors.

Member of the Human Resources Committee

Carolyn Hursh
Calgary, Alberta
Ms. Hursh is the Chairman of James Richardson & Sons, Limited (JRSL), a family owned and managed conglomerate established in 1857, whose subsidiaries include Richardson International, Richardson Pioneer, Richardson Oilseed Processing, Richardson Nutrition, Tundra Oil & Gas Limited, Lombard Realty Limited, Richardson GMP and Richardson Capital Limited. Ms. Hursh chairs the JRSL Corporate Governance Committee and is a member of the Audit and Compensation Committees. Ms. Hursh is also Chair of the Max Bell Foundation and is a member of the Advisory Boards for the Centre for Entrepreneurship and Family Enterprise at the University of Alberta and the Ohlson Research Initiative at the University of Calgary.

Chair of the Corporate Governance Committee and member of the Executive Committee

Wendy A. Leaney
Toronto, Ontario
Ms. Leaney is President of Wyoming Associates Ltd., a private investment and consulting firm based in Toronto. Prior to that, Ms. Leaney was Managing Director and Co-Head Global Communications Finance for TD Securities Inc. Ms. Leaney serves on the Board of Canadian Western Bank. She holds a Bachelor of Arts (Hon.) degree from the University of Toronto and is a graduate of the Advanced Management Course at the University of Western Ontario. Ms. Leaney is also a graduate of the Canadian Securities Course and is a Fellow of the Institute of Canadian Bankers.

Member of the Audit Committee

Susan Mey
Toronto, Ontario
Ms. Mey is President and Chief Executive Officer of The Green Cricket Inc., an online global retailer of environmentally sustainable products and services, based in Toronto. Ms. Mey was President and Chair of the Board of Kodak Canada Inc. from 2005 to 2007. Prior to joining Kodak, Ms. Mey was General Counsel for The T. Eaton Company Ltd. Prior to Eaton's, Ms. Mey was the founder and manager of a Hong Kong-based software company specializing in radiology imaging and patient information solutions for the healthcare sector. Ms. Mey was called to the Ontario bar in 1989, and practiced law in a large Toronto firm prior to moving to Asia in 1991. She is qualified to practice law in Canada and Hong Kong and is a graduate of the Institute of Corporate Directors. Ms. Mey is a member of the Independent Review Committee of Fidelity Investments Canada ULC.

Member of the Human Resources Committee

Ronald D. Rogers
Calgary, Alberta
Mr. Rogers retired as Senior Vice-President and Chief Financial Officer of Shaw Communications Inc. in August 2004. Mr. Rogers serves as a Director for Transforce Inc. and as a Trustee for Parkland Income Fund. Mr. Rogers is a chartered accountant and a member of the Alberta Institute of Chartered Accountants. Mr. Rogers has an extensive background in business and finance including positions as President of Greb Footwear and CFO of Moore Corporation.

Chair of the Audit Committee and member of the Executive Committee

Terrance Royer
Calgary, Alberta
Mr. Royer is Chairman of Royco Hotels Ltd., a hotel management company. Mr. Royer retired as Executive Vice-Chairman of the Calgary-based Royal Host REIT in December 2005. He is also retired President, CEO and founder of Royal Host Corp., a hotel and resort ownership, franchising and management company. Mr. Royer served on the Board of Royal Host REIT from January 1998 to June 2006. Mr. Royer is Chairman Emeritus of the University of Lethbridge (Chairman from January 2001 to July 2006) and Chairman of the Alberta "Access to the Future Fund" for post-secondary institutions in Alberta.

Chair of the Human Resources Committee and member of the Executive Committee and the Corporate Governance Committee

Serves as the Independent Lead Director for Corus Entertainment Inc.

Heather A. Shaw
Calgary, Alberta
Ms. Shaw is the Executive Chair of Corus Entertainment Inc., and has held the position since its inception in September 1999. Ms. Shaw is a Director for Shawcor Ltd., a member of the Richard Ivey School of Business Advisory Board and past Director of Shaw Communications Inc. Ms. Shaw also sits on a number of charitable boards. Ms. Shaw holds a Bachelor of Commerce degree from the University of Alberta and an MBA from the Richard Ivey School of Business at the University of Western Ontario.

Chair of the Board of Directors and the Executive Committee

Julie M. Shaw
Calgary, Alberta
Ms. Shaw is the Vice Chair of Corus Entertainment Inc., and has held the position since April 2008. Ms. Shaw is the Vice President, Facilities, Design and Management, Shaw Communications Inc. ("Shaw"), a diversified communications company whose core business is providing cable television services to approximately 2.1 million homes. Ms. Shaw has been employed at Shaw since 1986. Ms. Shaw is a graduate of the Institute of Corporate Directors. Ms. Shaw holds a Bachelor of Design Science degree from Arizona State University.

Vice Chair of the Board of Directors and member of the Corporate Governance Committee

OFFICERS

Hal Blackadar
Oakville, Ontario
Executive Vice President
and President of Radio,
Corus Entertainment Inc.

John M. Cassaday
Toronto, Ontario
President and
Chief Executive Officer,
Corus Entertainment Inc.

Scott Dyer
Toronto, Ontario
Executive Vice President,
Shared Services and
Chief Technology Officer,
Corus Entertainment Inc.

Gary Maavara
Toronto, Ontario
Executive Vice President and
General Counsel,
Corus Entertainment Inc.

Kathleen McNair
Toronto, Ontario
Executive Vice President,
Human Resources and
Corporate Communications,
Corus Entertainment Inc.

Doug Murphy
Toronto, Ontario
Executive Vice President and
President of Corus Television,
Corus Entertainment Inc.

Thomas C. Peddie FCA
Toronto, Ontario
Executive Vice President and
Chief Financial Officer,
Corus Entertainment Inc.

John R. (Jack) Perraton
Calgary, Alberta
Corporate Secretary,
Corus Entertainment Inc.
Senior Partner, Perraton Law

Heather A. Shaw
Calgary, Alberta
Executive Chair,
Corus Entertainment Inc.

LIST OF ASSETS

TELEVISION

CHEX Television – Peterborough
CHEX TV – Durham
CKWS TV – Kingston
CMT (Canada)
Cosmopolitan TV
DUSK
Encore Avenue
Food Network Canada*
Kids Can Press
KidsCo*
Movie Central
(including HBO Canada)
Nelvana
Nickelodeon (Canada)
qubo*
Sundance Channel (Canada)
Telelatino (TLN)
TELETOON
TELETOON Retro
Treehouse
VIVA
W Movies
W Network
YTV

RADIO

British Columbia

Vancouver

AM730 All Traffic All The Time (CHMJ) – AM
CKNW AM 980 (CKNW) – AM
Classic Rock 101 (CFMI) – FM
99.3 The FOX (CFOX) – FM

Alberta

Calgary

AM 770 (CHQR) – AM
Q107 (CFGQ) – FM
Country 105 (CKRY) – FM

Edmonton

630 CHED (CHED) – AM
iNews880 (CHQT) – AM
CISN COUNTRY 103.9 (CISN) – FM
92.5 JOE FM (CKNG) – FM

Manitoba

Winnipeg

CJOB 68 (CJOB) – AM
99.1 Groove FM (CJGV) – FM
Power 97 (CJKR) – FM

Ontario

Barrie

FM 93 (CHAY) – FM
B101 (CIQB) – FM

Cambridge

107.5 DAVE FM (CJDV) – FM

Collingwood

95.1 The Peak FM (CKCB) – FM

Cornwall

Variety 104.5 (CFLG) – FM
Rock 101.9 (CJSS) – FM

Guelph

CJOY (CJOY) – AM
Magic 106.1 (CIMJ) – FM

Hamilton

AM 900 CHML (CHML) – AM
Vinyl 95.3 (CING) – FM
Y108 (CJXY) – FM

Kingston

FM96 (CFMK) – FM
CKWS-FM (CKWS) – FM

Kitchener

91.5 The Beat (CKBT) – FM

London

AM980 (CFPL) – AM
The New 1031 Fresh FM (CFHK) – FM
FM96 (CFPL) – FM

Peterborough

100.5 KRUZ FM (CKRU) – FM
THE WOLF 101.5 (CKWF) – FM

Toronto

AM640 Toronto Radio (CFMJ) – AM
102.1 the Edge (CFNY) – FM
Q107 (CILQ) – FM

Woodstock

Greatest Hits 1039 FM (CKDK) – FM

Quebec

Gatineau

104,7 Souvenirs Garantis (CJRC) – FM

Montreal

CKAC Sports (CKAC) – AM
92.5 The Q (CFQR) – FM
98,5 FM (CHMP) – FM
96,9 CKOI (CKOI) – FM

Quebec City

102,1 CKOI (CFEL) – FM
102,9 Souvenirs Garantis (CFOM) – FM

Saguenay

98,3 Souvenirs Garantis (CKRS) – FM

Saint-Jérôme

CIME 103,9 FM (CIME) – FM

Sherbrooke

107,7 Souvenirs Garantis (CHLT) – FM
104,5 CKOI (CKOY) – FM

Trois-Rivières

106,9 Souvenirs Garantis (CHLN) – FM

Canadian broadcast, branded animation and publishing assets as of August 31, 2010.

*Assets in which Corus Entertainment has less than a 50% equity position.

CORUS ENTERTAINMENT INC.

Stock listing
TSX: CJR.B

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630 3rd Avenue S.W.
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Internet
Corus Entertainment's Annual Report, Annual Information Form, quarterly reports, press releases and other relevant investor relations information are available in the Investor Relations section of the Corus Entertainment website (www.corusent.com).

Auditors
Ernst & Young LLP

Primary bankers
The Toronto-Dominion Bank

Transfer agent
CIBC Mellon Trust Company
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Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

BNY Mellon Shareowner Services
480 Washington Boulevard – 27th Floor
Jersey City, New Jersey 07310
Telephone: 1.800.387.0825
Facsimile: 416.643.5501
www.cibcmellon.com

Corporate governance
The Board of Directors of the Company endorses the principles that sound corporate governance practices ("Corporate Governance Practices") are important to the proper functioning of the Company and the enhancement of the interests of the shareholders.

The Company's Statement of Corporate Governance Practices as they compare to the CSA Guidelines on Corporate Governance, and the charter of the Board of Directors may be found in the Company's most recently filed Management Information Circular. In addition, the Company is also in compliance with the requirements of the U.S. Sarbanes-Oxley Act of 2002 and related U.S. requirements as summarized on the Company's website www.corusent.com in the Investor Relations section.

Further information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at 416.479.7000 or visit the Company's website (www.corusent.com).

To receive additional copies of Corus Entertainment's Annual Report, please fax your request to the Director, Communications at 416.479.7007.

Annual meeting
January 11, 2011
2 p.m. ET
Corus Entertainment
Corus Quay
25 Dockside Drive
Toronto, Ontario M5A 0B5

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ENTERTAINMENT